

DELAWARE STATE HOUSING AUTHORITY
A Component Unit of the State of Delaware

**Basic Financial Statements and
Supplemental Information for the
Year Ended June 30, 2005 and
Independent Auditors' Report**

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INDEPENDENT AUDITORS' REPORT

September 23, 2005

To the Delaware State Housing Authority
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority (the "Authority"), a component unit of the State of Delaware, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2004 financial statements and, in our report dated September 17, 2004, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note F to the financial statements, certain errors resulting in overstatement of accrued interest as a result of an incorrect mortgage receivable amortization schedule was discovered by the Authority's management during the current year. Accordingly, the 2004 financial statements have been restated.

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 10 and page 55 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. That supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


BARBACANE, THORNTON & COMPANY

Management's Discussion and Analysis

The Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The Authority's functions are to provide home ownership, affordable rental housing, and both housing and community rehabilitation assistance. Funding for the home ownership program is derived from the issuance of single family mortgage revenue bonds. The affordable rental housing programs are supported through our multi-family revenue bond issuance, Federal grant funds from the U.S. Department of Housing and Urban Development (US Dept of HUD), and the State Housing Development Fund. Housing rehabilitation is also funded through the State sponsored Housing Development Fund. Community rehabilitation is provided through grants from US Dept of HUD.

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2005. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$240,859,985 (net assets).
- Unrestricted net assets totaled \$21,540,356. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the State of Delaware Code and the Authority's bond resolutions.
- The Authority's total net assets increased by \$11,926,398. Business-type activities increased by \$3,401,723, while governmental activities increased by \$8,524,675.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$165,538,084, an increase of \$6,252,384 in comparison with the prior year. Approximately 25.3 percent of this total amount, \$41,961,097, *is available for spending* at the Authority's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$22,013,972 or 372.7 percent of total general fund expenditures.
- The Authority's total debt increased by \$32,090,293 (10.3 percent) during the current fiscal year. The Single Family Programs issued new debt of \$104,825,721 during the fiscal year. This amount was offset by scheduled maturities of \$5,520,000 and bond calls of over \$68,000,000 primarily the result of heavy mortgage prepayments experienced by the Single and Multi-Family Programs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Entity-wide Financial Statements

The *entity-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the entity-wide financial statements distinguish functions of the Authority that are principally supported by state grants, interest income, and transfers (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through federal grants and interest income (*business-type activities*). The governmental activities of the Authority include administrative, home ownership, affordable rental housing, and housing rehabilitation. The business-type activities of the Authority include home ownership, affordable rental housing, and community rehabilitation.

The entity-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation between *governmental funds* and *governmental activities* to facilitate this comparison.

The Authority maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Housing Development Fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *supplementary combining schedules* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund after the notes to the financial statements to demonstrate compliance with this budget.

Proprietary Funds

The Authority maintains one type of proprietary fund. *Enterprise funds* are used to report the same activities presented as *business-type activities* in the entity-wide financial statements. The Authority uses enterprise funds to account for its federal, single family, and multi-family programs.

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the federal programs, single family, and multi-family funds, all of which are considered to be major funds of the Authority.

The basic proprietary fund financial statements can be found on pages 16-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 22-52 of this report.

Other Information

This report contains certain individual fund, program, and bond financial schedules which can be found on pages 59-75 of this report.

Entity-wide Financial Analysis

Delaware State Housing Authority's Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Noncapital assets | \$ 177,748,413 | \$ 169,493,070 | \$ 426,393,468 | \$ 388,473,763 | \$ 604,141,881 | \$ 557,966,833 |
| Capital assets | 2,063,790 | 2,102,321 | 20,175,821 | 18,966,391 | 22,239,611 | 21,068,712 |
| Total assets | 179,812,203 | 171,595,391 | 446,569,289 | 407,440,154 | 626,381,492 | 579,035,545 |
| Long-term liabilities outstanding | 12,062,474 | 10,304,158 | 356,475,371 | 320,427,762 | 368,537,845 | 330,731,920 |
| Other liabilities | 3,062,428 | 5,128,607 | 13,921,234 | 14,241,431 | 16,983,662 | 19,370,038 |
| Total liabilities | 15,124,902 | 15,432,765 | 370,396,605 | 334,669,193 | 385,521,507 | 350,101,958 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 2,063,790 | 2,102,321 | 20,175,821 | 18,966,391 | 22,239,611 | 21,068,712 |
| Restricted | 141,083,155 | 134,199,142 | 55,996,863 | 53,804,570 | 197,080,018 | 188,003,712 |
| Unrestricted | 21,540,356 | 19,861,163 | - | - | 21,540,356 | 19,861,163 |
| Total net assets | \$ 164,687,301 | \$ 156,162,626 | \$ 76,172,684 | \$ 72,770,961 | \$ 240,859,985 | \$ 228,933,587 |

Delaware State Housing Authority's Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 9,127,296 | \$ 7,112,102 | \$ 21,171,785 | \$ 23,754,882 | \$ 30,299,081 | \$ 30,866,984 |
| Operating grants and contributions | 7,776,216 | 3,345,000 | 39,761,620 | 39,894,578 | 47,537,836 | 43,239,578 |
| Capital grants and contributions | - | - | 497,586 | 421,495 | 497,586 | 421,495 |
| General Revenues, principally | | | | | | |
| Investment income | 863,360 | 455,405 | 3,768,580 | 4,398,748 | 4,631,940 | 4,854,153 |
| Total Revenues | 17,766,872 | 10,912,507 | 65,199,571 | 68,469,703 | 82,966,443 | 79,382,210 |
| Expenses: | | | | | | |
| Administrative | 6,027,897 | 5,696,664 | - | - | 6,027,897 | 5,696,664 |
| Home Ownership | 206,876 | 198,015 | 15,205,511 | 17,761,070 | 15,412,387 | 17,959,085 |
| Affordable rental housing | 3,051,918 | 1,117,949 | 43,348,696 | 42,241,404 | 46,400,614 | 43,359,353 |
| Housing rehabilitation | 705,100 | 2,869,820 | - | - | 705,100 | 2,869,820 |
| Community rehabilitation | - | - | 2,494,047 | 3,108,012 | 2,494,047 | 3,108,012 |
| Total Expenses | 9,991,791 | 9,882,448 | 61,048,254 | 63,110,486 | 71,040,045 | 72,992,934 |
| Change in net assets before transfers | 7,775,081 | 1,030,059 | 4,151,317 | 5,359,217 | 11,926,398 | 6,389,276 |
| Transfers | 749,594 | 12,708,536 | (749,594) | (12,708,536) | - | - |
| Changes in net assets | 8,524,675 | 13,738,595 | 3,401,723 | (7,349,319) | 11,926,398 | 6,389,276 |
| Net assets, beginning | 156,162,626 | 142,424,031 | 72,770,961 | 80,120,280 | 228,933,587 | 222,544,311 |
| Net assets, ending | <u>\$ 164,687,301</u> | <u>\$ 156,162,626</u> | <u>\$ 76,172,684</u> | <u>\$ 72,770,961</u> | <u>\$ 240,859,985</u> | <u>\$ 228,933,587</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$240,859,985 at the close of the fiscal year.

Of the Authority's total assets, 63.1 percent represent mortgage loans outstanding. Cash and investments comprise 28.4 percent of the total assets, while other noncapital assets make up 4.9 percent of total assets. Investment in capital assets accounts for 3.6 percent of total assets. Of the Authority's total liabilities, 88.6 percent consists of revenue bonds payable. Escrow deposits represent 8.0 percent of total liabilities, with miscellaneous liabilities comprising 3.4 percent of total liabilities.

Restricted net assets are net assets that have to be spent for particular purposes because of the requirement of bond covenants, US Dept of HUD regulations, and State requirements. Unrestricted net assets are amounts available to be spent to meet the Authority's needs.

Most (81.8 percent) of the Authority's net assets are restricted by bond covenants and federal and state grantors. Another 9.2 percent of net assets reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The remaining 9.0 percent of net assets are unrestricted.

Net assets for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets, both for the Authority as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Authority's net assets increased by \$11,926,398 during the current fiscal year. Of this amount, governmental activities net assets increased by \$8,524,675 and business-type net assets increased by \$3,401,723.

Of the Authority's total revenues, 57.3 percent are derived from operating grants and contributions, mostly from US Dept of HUD. Another 36.5 percent comes from charges for services which is mostly comprised of mortgage interest. Investment income represents 5.6 percent of total revenues, while capital grants make up the remaining 0.6 percent.

More than half of the Authority's total expenses, or 65.3 percent, are for affordable rental housing. Another 21.7 percent of total expenses are for home ownership. Community and housing rehabilitation account for 3.5 and 1.0 percent, respectively, leaving only 8.5 percent of total costs attributable to Authority administration.

During the fiscal year, net transfers of \$749,594 were made from business-type activities to the governmental activities. The Authority's General Fund operations are supported by transfers of surplus funds and administrative fees from the Single and Multi-Family Programs.

Governmental Activities

Governmental Activities Net (Expenses)/Revenues by Function

| <u>Function</u> | <u>Expenses</u> | <u>Revenues</u> | <u>Fiscal 2005 Net (Exp)/Rev</u> | <u>Fiscal 2004 Net (Exp)/Rev</u> |
|---------------------------|---------------------|----------------------|--------------------------------------|--------------------------------------|
| Administration | \$ 6,027,897 | \$ 2,833,790 | \$ (3,194,107) | \$ (3,773,072) |
| Home ownership | 206,876 | 1,283,185 | 1,076,309 | 1,220,479 |
| Affordable rental housing | 3,051,918 | 12,496,199 | 9,444,281 | 5,900,154 |
| Housing rehabilitation | 705,100 | 290,338 | (414,762) | (2,772,907) |
| Total | <u>\$ 9,991,791</u> | <u>\$ 16,903,512</u> | <u>\$ 6,911,721</u> | <u>\$ 574,654</u> |

Governmental Activities Revenues by Source

| <u>Source</u> | <u>Fiscal 2005</u> | | <u>Fiscal 2004</u> | |
|------------------------------------|----------------------|----------------|----------------------|----------------|
| | <u>Revenue</u> | <u>Percent</u> | <u>Revenue</u> | <u>Percent</u> |
| Charges for services | \$ 9,127,296 | 49% | \$ 7,112,102 | 30% |
| Operating grants and contributions | 7,776,216 | 42% | 3,345,000 | 14% |
| Other general revenues | 863,360 | 5% | 455,405 | 2% |
| Transfers | 749,594 | 4% | 12,708,536 | 54% |
| Total | <u>\$ 18,516,466</u> | <u>100%</u> | <u>\$ 23,621,043</u> | <u>100%</u> |

Governmental activities increased the Authority's net assets by \$8,524,675. The key elements of this increase were (a) a special appropriation from the State of Delaware to the Housing Development Fund (HDF) of \$6,000,000 (\$4,250,000 had been received as of June 30, 2005) to address a broad range of affordable housing needs in the form of loans or grants; (b) the receipt of mortgage prepayment penalties in the amount of \$1,363,731 from the payoff of two multi-family mortgages held by the Authority; and (c) the conversion of an HDF mortgage previously written-off to an active mortgage in the amount of \$1,270,799. The balance of the increase in net assets would be the net of the remaining revenues over expenses.

Business-type Activities

| Business-type Activities Net (Expenses)/Revenues by Function | | | | |
|---|----------------------|----------------------|-------------------------------------|-------------------------------------|
| <u>Function</u> | <u>Expenses</u> | <u>Revenues</u> | Fiscal 2005 Net <u>(Exp)/Rev</u> | Fiscal 2004 Net <u>(Exp)/Rev</u> |
| Home ownership | \$ 15,205,511 | \$ 13,976,329 | \$ (1,229,182) | \$ (2,245,677) |
| Affordable rental housing | 43,348,696 | 44,960,615 | 1,611,919 | 3,206,146 |
| Community rehabilitation | 2,494,047 | 2,494,047 | - | - |
| Total | <u>\$ 61,048,254</u> | <u>\$ 61,430,991</u> | <u>\$ 382,737</u> | <u>\$ 960,469</u> |

| Business-type Activities Revenues by Source | | | | |
|--|----------------------|----------------|----------------------|----------------|
| <u>Source</u> | Fiscal 2005 | | Fiscal 2004 | |
| | <u>Revenue</u> | <u>Percent</u> | <u>Revenue</u> | <u>Percent</u> |
| Charges for services | \$ 21,171,785 | 32% | \$ 23,754,882 | 35% |
| Operating grants and contributions | 39,761,620 | 61% | 39,894,578 | 58% |
| Capital grants and contributions | 497,586 | 1% | 421,495 | 1% |
| Other general revenues | 3,768,580 | 6% | 4,398,748 | 6% |
| Total | <u>\$ 65,199,571</u> | <u>100%</u> | <u>\$ 68,469,703</u> | <u>100%</u> |

Business-type activities increased the Authority's net assets by \$3,401,723. The key elements of this increase were increases in cash and investments of \$50,847,866 and capital assets of \$1,209,430; offset by decreases in mortgages receivable of \$12,686,540, increases in revenue bonds payable of \$34,531,222, interfund payables of \$876,234, and escrow deposits of \$634,931.

Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Authority's governmental funds reported combined ending fund balances of \$165,538,084, an increase of \$6,252,384 in comparison with the prior year. Approximately 25 percent of this total amount, \$41,961,097, constitutes *unreserved fund balance*, which is available for spending at the Authority's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it is comprised of long-term loans receivables.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unreserved fund balance of the General Fund for the Authority's purposes was \$22,013,972.

The fund balance of the Authority's General Fund increased by \$2,357,533 during the current fiscal year.

The key factor in this increase is the investment balance increase of \$2,175,643, due mainly to the receipt of mortgage prepayment penalties in the amount of \$1,363,731 from the payoff of two multi-family mortgages held by the Authority and an \$814,000 increase in the transfer of surplus funds from the Authority Loan Program, a non-major governmental fund.

The HDF has a total fund balance of \$122,683,334, of which \$92,248,653 is reserved for mortgages. An additional \$11,700,292 has been reserved and legally segregated for loan commitments. The net increase in fund balance during the current year in the HDF was \$9,874,459. The increase is mostly the result of grants in the amounts of \$7,587,000 from the State used to generate mortgages and grants, \$2,519,048 in interest income, \$1,451,248 in fee revenue, and \$1,309,643 in other revenue (\$1,270,799 of this figure represents the conversion of an HDF mortgage previously written-off to an active mortgage) offset by administrative and grant expenditures of \$460,375 and \$2,591,543 respectively.

Proprietary Funds

The financial statements for the Authority's proprietary funds, which are all enterprise funds, provide the same type of information found in the entity-wide financial statements, but in more detail.

Restricted net assets of the Federal Programs Fund at the end of the year amounted to \$28,015,363, and those for Single Family and Multi-Family Programs Funds amounted to \$9,080,875 and \$18,900,625 respectively. The total change in net assets for these funds was \$947,717, \$342,606, and \$2,111,400, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Authority's business-type activities.

General Fund Budgetary Highlights

There were no differences between the General Fund's total original budget and the total final amended budget for fiscal 2005.

During the year expenditures were \$432,098 (11.5%) less than budgetary estimates. In all areas the Authority was under budget as follows:

| | |
|-----------------------------------|-------------------------|
| Salary and other employment costs | \$265,854 |
| Travel | 13,103 |
| Contractual services | 122,983 |
| Energy | 14,703 |
| Supplies and materials | <u>15,455</u> |
| Total under budget amount | <u><u>\$432,098</u></u> |

The Authority's continual monitoring of revenues and expenditures resulted in the under variance in all budget categories.

Capital Asset and Debt Administration

Capital Assets.

The Authority's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$22,239,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. The total increase in the Authority's investment in capital assets for the current fiscal year was 5.6 percent (a 1.8 percent decrease for governmental activities and a 6.4 percent increase for business-type activities).

Major capital asset events during the fiscal year included the following:

- Roof replacement at one public housing site.
- Window and door replacement at one public housing site.
- HVAC and plumbing upgrades at one public housing site.
- HVAC, window, and bathroom upgrades at one public housing site.
- Perimeter fencing at two public housing sites.

| Delaware State Housing Authority's Capital Assets (net of depreciation) | | | | | | |
|--|------------------------------------|---------------------|-------------------------------------|----------------------|----------------------|----------------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Land | \$ 797,960 | \$ 797,960 | \$ 2,405,742 | \$ 2,421,242 | \$ 3,203,702 | \$ 3,219,202 |
| Buildings held for resale | - | - | 516,491 | 584,034 | 516,491 | 584,034 |
| Construction in process | - | - | 2,700,106 | 196,105 | 2,700,106 | 196,105 |
| Buildings | 1,097,730 | 1,160,170 | 10,147,461 | 10,850,272 | 11,245,191 | 12,010,442 |
| Land/site improvements | 70,159 | 19,958 | 4,355,817 | 4,863,682 | 4,425,976 | 4,883,640 |
| Computer equipment | 91,204 | 113,821 | - | - | 91,204 | 113,821 |
| Equipment | - | - | 50,205 | 51,056 | 50,205 | 51,056 |
| Telecom equipment | 6,737 | 10,412 | - | - | 6,737 | 10,412 |
| Total | <u>\$ 2,063,790</u> | <u>\$ 2,102,321</u> | <u>\$ 20,175,822</u> | <u>\$ 18,966,391</u> | <u>\$ 22,239,612</u> | <u>\$ 21,068,712</u> |

Additional information on the Authority's capital assets can be found in note IV., D. on page 37 of this report.

Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$341,744,154. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|-----------------------|------------------------------------|---------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Notes payable | \$ 2,236,233 | \$ 4,630,375 | \$ 601,210 | \$ 647,997 | \$ 2,837,443 | \$ 5,278,372 |
| Revenue Bonds payable | - | - | 341,744,154 | 307,212,932 | 341,744,154 | 307,212,932 |
| Total | <u>\$ 2,236,233</u> | <u>\$ 4,630,375</u> | <u>\$ 342,345,364</u> | <u>\$ 307,860,929</u> | <u>\$ 344,581,597</u> | <u>\$ 312,491,304</u> |

The Authority's total debt increased by \$32,090,293 (10.3 percent) during the current fiscal year. The key factors in this increase were new bond issuance of \$104,825,721 in the Single Family Programs Enterprise Fund netted by bond calls of \$68,443,865 and scheduled maturities of \$5,520,000 and a net reduction of \$2,394,142 in notes payable in the Construction Loan Program, a non-major governmental fund. The bond calls of \$60,908,865 in the Single Family Programs Enterprise Fund were primarily a result of heavy prepayments in all of the Single Family Programs. The bond calls of \$7,535,000 in the Multi-Family Program Enterprise Fund were primarily the result of mortgage payoffs in the Multi-Family Mortgage Revenue Refunding Bond 2001 Series A.

The Authority maintains a range of "BB "to "AAA" ratings from Standard & Poor's and a range of "A1" to "Aaa" ratings from Moody's for revenue bonds. The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. As of June 30, 2005, the Authority's total bonded debt limitation was \$350 million for bonds subject to the Capital Reserve Fund Provision. As of June 30, 2005, there are no bonds outstanding subject to that limitation. To issue debt subject to Capital Reserve requirements in excess of this limitation would require approval of the State of Delaware General Assembly. There is no State limit on Authority bonds not subject to the Capital Reserve Fund provision; however, the Authority must abide by federal private activity caps. Authority bonds and notes issued are not the debt of the State of Delaware and the State is not liable for repayment of such debt.

Additional information on the Authority's long-term debt can be found in note IV., F. on pages 39-41 of this report.

Economic Factors and Next Year's Budget and Rates

The Authority budgeted salary and other employment cost increases of \$189,154; travel expense decreases of \$6,897; energy cost increases of \$11,703, general contractual service and supply cost increases of \$125,038 for an average budget increase of 9.6 percent over fiscal 2005 actual expenditures.

The Authority considered increases in health care costs and pension contributions, in addition to general cost inflation, in preparing its General Fund budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Director, Financial Management, Delaware State Housing Authority, 18 The Green, Dover, DE 19901.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2005
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2004)

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | 2005 | 2004 |
|---|----------------------------|-----------------------------|----------------------|-----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 11,946 | \$ 155,464 | \$ 167,410 | \$ 166,159 |
| Investments | 26,630,916 | 8,098,976 | 34,729,892 | 34,924,333 |
| Mortgages receivable | 3,963,520 | 9,136,298 | 13,099,818 | 10,049,964 |
| Accrued interest & other receivables | 14,310,379 | 5,408,916 | 19,719,295 | 18,066,330 |
| Grants receivable - US Dept of HUD | - | 155,314 | 155,314 | 229,194 |
| Internal balances | (406,077) | 406,077 | - | - |
| Prepaid expenses | 360,428 | 2,645,719 | 3,006,147 | 2,553,476 |
| Deferred bond issuance costs | - | 378,734 | 378,734 | 595,386 |
| Total current assets | 44,871,112 | 26,385,498 | 71,256,610 | 66,584,842 |
| Non-current assets: | | | | |
| Investments | 27,034,325 | 115,995,784 | 143,030,109 | 88,829,740 |
| Mortgages receivable, net | 102,564,576 | 279,603,466 | 382,168,042 | 395,625,676 |
| Accrued interest & other receivables, net | - | 3,068,365 | 3,068,365 | 2,500,364 |
| Internal balances | 3,278,400 | (3,278,400) | - | - |
| Deferred bond issuance cost | - | 4,618,754 | 4,618,754 | 4,426,211 |
| Capital assets not being depreciated | 797,960 | 5,622,339 | 6,420,299 | 3,999,341 |
| Capital assets net of accumulated depreciation | 1,265,830 | 14,553,483 | 15,819,313 | 17,069,371 |
| Total non-current assets: | 134,941,091 | 420,183,791 | 555,124,882 | 512,450,703 |
| TOTAL ASSETS | \$ 179,812,203 | \$ 446,569,289 | \$626,381,492 | \$ 579,035,545 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 812,311 | \$ 4,739,989 | \$ 5,552,300 | \$ 4,647,689 |
| Due to St of Delaware-pension costs | 6,636 | 1,243 | 7,879 | 7,769 |
| Accrued arbitrage rebate payable | - | 778,674 | 778,674 | 917,514 |
| Compensated absences payable | 7,248 | 3,497 | 10,745 | 12,838 |
| Accrued interest payable | - | 465,232 | 465,232 | 104,821 |
| Nonrefundable deferred commitment fees | - | 134,169 | 134,169 | 161,149 |
| Notes payable | 2,236,233 | 46,430 | 2,282,663 | 4,677,162 |
| Revenue bonds payable | - | 7,752,000 | 7,752,000 | 8,841,096 |
| Total current liabilities | 3,062,428 | 13,921,234 | 16,983,662 | 19,370,038 |
| Non-current liabilities: | | | | |
| Accrued arbitrage rebate payable | - | 514,822 | 514,822 | 371,966 |
| Compensated absences payable | 671,092 | 194,917 | 866,009 | 756,126 |
| Escrow Deposits | 11,391,382 | 19,437,613 | 30,828,995 | 28,519,140 |
| Nonrefundable deferred commitment fees | - | 1,781,085 | 1,781,085 | 2,111,642 |
| Notes payable | - | 554,780 | 554,780 | 601,210 |
| Revenue bonds payable | - | 333,992,154 | 333,992,154 | 298,371,836 |
| Total non-current liabilities | 12,062,474 | 356,475,371 | 368,537,845 | 330,731,920 |
| TOTAL LIABILITIES | 15,124,902 | 370,396,605 | 385,521,507 | 350,101,958 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 2,063,790 | 20,175,821 | 22,239,611 | 21,068,712 |
| Restricted by federal and state regulations | 130,267,081 | 28,015,363 | 158,282,444 | 148,388,715 |
| Restricted by bond covenants | - | 27,981,500 | 27,981,500 | 25,527,494 |
| Restricted for other purposes | 10,816,074 | - | 10,816,074 | 14,087,503 |
| Unrestricted, for Authority's purposes | 21,540,356 | - | 21,540,356 | 19,861,163 |
| TOTAL NET ASSETS | 164,687,301 | 76,172,684 | 240,859,985 | 228,933,587 |
| TOTAL LIABILITIES & NET ASSETS | \$ 179,812,203 | \$ 446,569,289 | \$626,381,492 | \$ 579,035,545 |

The accompanying notes are an integral part of the financial statements.

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DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

| FUNCTION | PROGRAM REVENUE | | | | NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS | | |
|---|-----------------|-------------------------|--|--|---|---------------------------------|----------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | |
| Governmental activities: | | | | | | | |
| Administrative | \$ 6,027,897 | \$ 2,833,790 | \$ - | \$ - | \$ (3,194,107) | \$ - | \$ (3,194,107) |
| Home ownership | 206,876 | 1,272,185 | 11,000 | - | 1,076,309 | - | 1,076,309 |
| Affordable rental housing | 3,051,918 | 4,909,199 | 7,587,000 | - | 9,444,281 | - | 9,444,281 |
| Housing rehabilitation | 705,100 | 112,122 | 178,216 | - | (414,762) | - | (414,762) |
| Total governmental activities | 9,991,791 | 9,127,296 | 7,776,216 | - | 6,911,721 | - | 6,911,721 |
| Business-type activities: | | | | | | | |
| Home ownership | 15,205,511 | 13,976,329 | - | - | - | (1,229,182) | (1,229,182) |
| Affordable rental housing | 43,348,696 | 7,192,878 | 37,270,151 | 497,586 | - | 1,611,919 | 1,611,919 |
| Community rehabilitation | 2,494,047 | 2,578 | 2,491,469 | - | - | - | - |
| Total business-type activities | \$ 61,048,254 | \$ 21,171,785 | \$ 39,761,620 | \$ 497,586 | - | 382,737 | 382,737 |
| General Revenues | | | | | | | |
| Investment income, gains/(losses) on investments, and miscellaneous earnings. | | | | | | | |
| Transfers | | | | | 863,360 | 3,768,580 | 4,631,940 |
| Total General Revenues and Transfers | | | | | 749,594 | (749,594) | - |
| Change in Net Assets | | | | | | | |
| | | | | | 1,612,954 | 3,018,986 | 4,631,940 |
| Net Assets, Beginning of Year (as restated, See Note V.F.) | | | | | | | |
| | | | | | 8,524,675 | 3,401,723 | 11,926,398 |
| Net Assets, End of Year | | | | | | | |
| | | | | | 156,162,626 | 72,770,961 | 228,933,587 |
| | | | | | \$ 164,687,301 | \$ 76,172,684 | \$ 240,859,985 |
| | | | | | | | \$ 228,933,587 |

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2004)

| | | | | TOTAL GOVERNMENTAL FUNDS | |
|---|----------------------|--------------------------|-----------------------------|--------------------------|-----------------------|
| | GENERAL FUND | HOUSING DEVELOPMENT FUND | NONMAJOR GOVERNMENTAL FUNDS | 2005 | 2004 |
| ASSETS | | | | | |
| Cash & cash equivalents | \$ 11,946 | \$ - | \$ - | \$ 11,946 | \$ 12,388 |
| Investments | 21,518,681 | 27,574,906 | 4,571,654 | 53,665,241 | 50,505,486 |
| Interfund receivables | 1,240,052 | 34 | 58,101 | 1,298,187 | 403,613 |
| Loans receivable: | | | | | |
| Mortgages receivable, net | - | 85,180,972 | 21,347,124 | 106,528,096 | 104,279,336 |
| Interfund | - | 8,864,946 | 1,500,000 | 10,364,946 | 10,670,503 |
| Accrued interest & other receivables, net | 690,637 | 12,050,871 | 1,568,871 | 14,310,379 | 12,665,541 |
| Prepaid items | 35,428 | 325,000 | - | 360,428 | 34,230 |
| TOTAL ASSETS | <u>\$ 23,496,744</u> | <u>\$ 133,996,729</u> | <u>\$ 29,045,750</u> | <u>\$ 186,539,223</u> | <u>\$ 178,571,097</u> |
| LIABILITIES & FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 748,593 | \$ 1,875 | \$ 61,843 | \$ 812,311 | \$ 483,798 |
| Due to State of Delaware-pension costs | 6,636 | - | - | 6,636 | 6,645 |
| Interfund payables | 262,597 | 25 | 202,642 | 465,264 | 343,638 |
| Compensated absences payable | - | - | - | - | 469 |
| Escrow deposits | - | 11,311,495 | 79,887 | 11,391,382 | 9,716,458 |
| Interfund loans payable | 260,222 | - | 8,065,324 | 8,325,546 | 8,734,389 |
| Total Liabilities | <u>1,278,048</u> | <u>11,313,395</u> | <u>8,409,696</u> | <u>21,001,139</u> | <u>19,285,397</u> |
| Fund Balances: | | | | | |
| Reserved for long term loans receivable | - | 92,248,653 | 19,423,318 | 111,671,971 | 111,697,933 |
| Reserved for loan commitments | - | 11,700,292 | - | 11,700,292 | 14,089,528 |
| Reserved for retiree health benefits | 204,724 | - | - | 204,724 | 235,926 |
| Unreserved, reported in: | | | | | |
| General fund | 22,013,972 | - | - | 22,013,972 | 19,625,237 |
| Special revenue funds | - | 18,734,389 | 1,212,736 | 19,947,125 | 13,637,076 |
| Total Fund Balances | <u>22,218,696</u> | <u>122,683,334</u> | <u>20,636,054</u> | <u>165,538,084</u> | <u>159,285,700</u> |
| TOTAL LIABILITIES & FUND BALANCES | <u>\$ 23,496,744</u> | <u>\$ 133,996,729</u> | <u>\$ 29,045,750</u> | | |

Amounts reported for governmental activities in the statement of net assets are different because:

| | | |
|---|-----------------------|-----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,063,790 | 2,102,321 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (2,914,573) | (5,225,395) |
| Net assets of governmental activities | <u>\$ 164,687,301</u> | <u>\$ 156,162,626</u> |

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

| | GENERAL FUND | | HOUSING DEVELOPMENT FUND | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS | |
|---|--------------|-------------|--------------------------------|-----------------------------------|-----------------------------|-------------|
| | | | | | 2005 | 2004 |
| REVENUES | | | | | | |
| Interest income: | | | | | | |
| Investments | \$ | 592,503 | \$ | 370,740 | \$ | 47,305 |
| Loans | | - | | 2,148,308 | | 1,378,713 |
| Total interest income | | 592,503 | | 2,519,048 | | 1,426,018 |
| Grants | | - | | - | | 189,216 |
| Payments from primary government | | - | | 7,587,000 | | - |
| Gains/(losses) on investments | | (131,626) | | (15,562) | | - |
| Fees | | 1,316,420 | | 1,451,248 | | - |
| Other revenues | | 1,517,370 | | 1,309,643 | | 5,594 |
| Total Revenues | | 3,294,667 | | 12,851,377 | | 1,620,828 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Administrative | | 5,843,792 | | - | | - |
| Home ownership | | - | | - | | 206,876 |
| Affordable rental housing | | - | | 3,051,918 | | - |
| Housing rehabilitation | | - | | - | | 705,100 |
| Debt service | | - | | - | | 6,341,015 |
| Capital outlay | | 62,254 | | - | | - |
| Total expenditures | | 5,906,046 | | 3,051,918 | | 7,252,991 |
| Excess/(deficiency) of revenues over expenditures | | (2,611,379) | | 9,799,459 | | (5,632,163) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | 5,405,824 | | 75,000 | | 765,123 |
| Transfers out | | (436,912) | | - | | (5,059,441) |
| Face amount of debt issued | | - | | - | | 3,946,873 |
| Total other financing sources (uses) | | 4,968,912 | | 75,000 | | (347,445) |
| Net change in fund balances | | 2,357,533 | | 9,874,459 | | (5,979,608) |
| Fund balances beginning | | 19,861,163 | | 112,808,875 | | 26,615,662 |
| Fund balances ending | \$ | 22,218,696 | \$ | 122,683,334 | \$ | 20,636,054 |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES

| | | |
|--|---------------------|---------------------|
| NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS | \$6,252,384 | \$17,245,285 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net effect of this difference in the treatment of capital outlay and depreciation. | (38,531) | (100,515) |
| Governmental funds report the proceeds from issuance of long-term debt when first issued, whereas the amount is deferred and amortized in the statement of activities. This amount is the net effect of this difference in the treatment of long-term debt. | 2,394,142 | (3,408,915) |
| Some compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | (83,320) | 2,740 |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 8,524,675</u> | <u>\$13,738,595</u> |

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2005
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2004)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | MULTI-FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|--|---|--|--|---------------------------|----------------|
| | | | | 2005 | 2004 |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ - | \$ 155,464 | \$ - | \$ 155,464 | \$ 153,771 |
| Investments | 3,952,791 | 1,420,621 | 2,725,564 | 8,098,976 | 8,893,775 |
| Mortgages receivable, net | - | 5,466,434 | 3,669,864 | 9,136,298 | 8,207,144 |
| Accrued interest and other receivables | 646,624 | 3,909,512 | 852,780 | 5,408,916 | 5,400,789 |
| Grants receivable - US Dept of HUD | 155,314 | - | - | 155,314 | 229,194 |
| Interfund receivables | 42,127 | 384,423 | - | 426,550 | 307,237 |
| Prepaid expenses | 2,645,719 | - | - | 2,645,719 | 2,519,246 |
| Deferred bond issuance costs | - | 269,659 | 109,075 | 378,734 | 595,386 |
| Total current assets | 7,442,575 | 11,606,113 | 7,357,283 | 26,405,971 | 26,306,542 |
| Non-Current Assets: | | | | | |
| Investments | 242,491 | 79,487,048 | 36,266,245 | 115,995,784 | 64,354,812 |
| Mortgages receivable, net | 22,960,963 | 208,955,848 | 47,686,655 | 279,603,466 | 293,189,160 |
| Accrued interest and other receivables, net | 3,068,365 | - | - | 3,068,365 | 2,500,364 |
| Deferred bond issuance costs | - | 4,065,746 | 553,008 | 4,618,754 | 4,426,211 |
| Capital assets not being depreciated | 5,622,339 | - | - | 5,622,339 | 3,201,381 |
| Capital assets net of accumulated depreciation | 14,553,483 | - | - | 14,553,483 | 15,765,010 |
| Total non-current assets | 46,447,641 | 292,508,642 | 84,505,908 | 423,462,191 | 383,436,938 |
| TOTAL ASSETS | \$ 53,890,216 | \$ 304,114,755 | \$ 91,863,191 | \$ 449,868,162 | \$ 409,743,480 |

Continued on next page.

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | MULTI-FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|---|---|--|--|---------------------------|-----------------------|
| | | | | 2005 | 2004 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 3,746,432 | \$ 32,564 | \$ 960,993 | \$ 4,739,989 | \$ 4,163,891 |
| Due State of Delaware-pension costs | 1,243 | - | - | 1,243 | 1,124 |
| Interfund payables | 20,473 | - | - | 20,473 | 3,226 |
| Accrued arbitrage rebate payable | - | 778,674 | - | 778,674 | 917,514 |
| Compensated absences payable | 3,497 | - | - | 3,497 | 5,049 |
| Accrued interest payable | - | 366,881 | 98,351 | 465,232 | 104,821 |
| Nonrefundable deferred commitment fees | - | 134,169 | - | 134,169 | 161,149 |
| Notes payable | - | - | 46,430 | 46,430 | 46,787 |
| Revenue bonds payable | - | 3,091,860 | 4,660,140 | 7,752,000 | 8,841,096 |
| Total current liabilities | <u>3,771,645</u> | <u>4,404,148</u> | <u>5,765,914</u> | <u>13,941,707</u> | <u>14,244,657</u> |
| Non-Current Liabilities: | | | | | |
| Accrued arbitrage rebate payable | - | 438,592 | 76,230 | 514,822 | 371,966 |
| Compensated absences payable | 194,917 | - | - | 194,917 | 168,426 |
| Escrow deposits | 1,193,070 | - | 18,244,543 | 19,437,613 | 18,802,682 |
| Nonrefundable deferred commitment fees | - | 1,781,085 | - | 1,781,085 | 2,111,642 |
| Interfund loans payable | 539,400 | 1,239,000 | 1,500,000 | 3,278,400 | 2,300,100 |
| Notes payable | - | - | 554,780 | 554,780 | 601,210 |
| Revenue bonds payable | - | 287,171,055 | 46,821,099 | 333,992,154 | 298,371,836 |
| Total non-current liabilities | <u>1,927,387</u> | <u>290,629,732</u> | <u>67,196,652</u> | <u>359,753,771</u> | <u>322,727,862</u> |
| Total Liabilities | <u>5,699,032</u> | <u>295,033,880</u> | <u>72,962,566</u> | <u>373,695,478</u> | <u>336,972,519</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 20,175,821 | - | - | 20,175,821 | 18,966,391 |
| Restricted by federal regulations | 28,015,363 | - | - | 28,015,363 | 28,277,076 |
| Restricted by bond covenants | - | 9,080,875 | 18,900,625 | 27,981,500 | 25,527,494 |
| Total net assets | <u>48,191,184</u> | <u>9,080,875</u> | <u>18,900,625</u> | <u>76,172,684</u> | <u>72,770,961</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 53,890,216</u> | <u>\$ 304,114,755</u> | <u>\$ 91,863,191</u> | <u>449,868,162</u> | <u>\$ 409,743,480</u> |
| Adjustment to reflect the consolidation of interfund activities related to enterprise funds | | | | (3,298,873) | |
| Total liabilities and net assets of business- type activities | | | | <u>\$446,569,289</u> | |

The accompanying notes are an integral part of the financial statements.

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DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | MULTI- FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|---|---|--|--|---------------------------|---------------|
| | | | | 2005 | 2004 |
| Operating revenues: | | | | | |
| Interest income on loans | \$ 569,792 | \$ 13,175,752 | \$ 5,325,693 | \$ 19,071,237 | \$ 21,435,350 |
| Federal housing program grants | 39,761,620 | - | - | 39,761,620 | 39,894,578 |
| Rental income | 465,213 | - | - | 465,213 | 327,096 |
| Amortization of deferred revenues | - | 757,187 | - | 757,187 | 674,425 |
| Miscellaneous | 413,710 | 43,390 | 421,048 | 878,148 | 1,318,011 |
| Total operating revenues | 41,210,335 | 13,976,329 | 5,746,741 | 60,933,405 | 63,649,460 |
| Operating expenses: | | | | | |
| Interest expense on bonds | - | 13,646,521 | 3,500,817 | 17,147,338 | 19,803,507 |
| Administrative | 3,656,229 | 3,093 | - | 3,659,322 | 3,771,315 |
| Grants and housing assistance payments | 34,874,342 | - | - | 34,874,342 | 34,391,100 |
| Public housing maintenance & utilities | 1,087,808 | - | - | 1,087,808 | 859,138 |
| Amortization of deferred bond issuance costs | - | 763,800 | 312,406 | 1,076,206 | 1,411,908 |
| Depreciation | 1,211,527 | - | - | 1,211,527 | 1,057,863 |
| Loan servicing fees | - | 336,186 | 53,317 | 389,503 | 510,522 |
| Other expenses | - | 197,791 | 40,972 | 238,763 | 236,935 |
| Total operating expenses | 40,829,906 | 14,947,391 | 3,907,512 | 59,684,809 | 62,042,288 |
| Operating income/(loss) | 380,429 | (971,062) | 1,839,229 | 1,248,596 | 1,607,172 |
| Non-operating revenue/(expenses): | | | | | |
| Interest income on investments | 69,702 | 2,236,282 | 1,352,031 | 3,658,015 | 4,439,832 |
| Net increase/(decrease) fair value investments | - | 44,997 | 65,568 | 110,565 | (40,529) |
| US Dept of HUD financing adjustment factor expense | - | - | (338,349) | (338,349) | (359,416) |
| Rebate expense | - | (258,120) | (55,306) | (313,426) | (258,858) |
| Excess yield expense | - | - | (711,670) | (711,670) | (449,924) |
| Miscellaneous rev/(exp) | - | - | - | - | (555) |
| Total non-operating revenue/(expenses) | 69,702 | 2,023,159 | 312,274 | 2,405,135 | 3,330,550 |
| Income/(loss) before contributions and transfers | 450,131 | 1,052,097 | 2,151,503 | 3,653,731 | 4,937,722 |
| Capital grants and contributions | 497,586 | - | - | 497,586 | 421,495 |
| Transfers in | 2,625 | 295,597 | 24,423 | 322,645 | 6,431,960 |
| Transfers out | (2,625) | (1,005,088) | (64,526) | (1,072,239) | (19,140,496) |
| Net income/(loss) | 947,717 | 342,606 | 2,111,400 | 3,401,723 | (7,349,319) |
| Total net assets - beginning (as restated, see Note V.F.) | 47,243,467 | 8,738,269 | 16,789,225 | 72,770,961 | 80,120,280 |
| Total net assets - ending | \$ 48,191,184 | \$ 9,080,875 | \$ 18,900,625 | \$ 76,172,684 | \$ 72,770,961 |

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | MULTI- FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|--|---|--|--|---------------------------|---------------|
| | | | | 2005 | 2004 |
| OPERATING ACTIVITIES: | | | | | |
| Mortgage principal repayments received | \$ - | \$ 51,213,136 | \$ 8,666,847 | \$ 59,879,983 | \$ 72,888,539 |
| Mortgage interest payments received | - | 14,055,823 | 5,293,407 | 19,349,230 | 23,159,391 |
| Grants received | 40,091,311 | - | - | 40,091,311 | 39,766,647 |
| Rental and related rental income | 468,859 | - | - | 468,859 | 345,106 |
| Insurance claims received | - | 243,833 | - | 243,833 | 1,253,901 |
| Servicing fees received | - | - | 27,969 | 27,969 | 50,657 |
| New loan payable | - | 1,239,000 | - | 1,239,000 | - |
| Other receipts | 270,204 | 4,995 | - | 275,199 | 166,090 |
| New mortgages disbursed | (541,249) | (47,462,654) | - | (48,003,903) | (27,813,891) |
| Grants disbursed | (34,867,524) | - | - | (34,867,524) | (34,465,934) |
| Administrative expenses | (3,470,580) | - | - | (3,470,580) | (3,613,624) |
| Maintenance and utility expenses | (1,087,809) | - | - | (1,087,809) | (859,137) |
| Trustee and servicing fees paid | - | (466,488) | (71,178) | (537,666) | (705,512) |
| Bond insurance premiums | - | (81,956) | (17,440) | (99,396) | (142,339) |
| Mortgage pool insurance premiums paid | - | (32,919) | - | (32,919) | (39,551) |
| Foreclosure disbursements | - | (68,994) | - | (68,994) | (98,404) |
| Other disbursements | (7,275) | - | - | (7,275) | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 855,937 | 18,643,776 | 13,899,605 | 33,399,318 | 69,891,939 |
| NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Proceeds from revenue bonds | - | 107,923,179 | - | 107,923,179 | 56,657,114 |
| Escrow receipts | 794,394 | - | 16,969,516 | 17,763,910 | 9,284,916 |
| Interfund payments received | 2,625 | 295,597 | 65,000 | 363,222 | 6,574,152 |
| Repayments of principal on revenue bonds | - | (63,588,865) | (10,375,000) | (73,963,865) | (129,664,586) |
| Payments of interest on revenue bonds | - | (12,682,294) | (3,506,389) | (16,188,683) | (18,832,277) |
| Escrow disbursements | (859,281) | - | (16,275,700) | (17,134,981) | (10,479,411) |
| Bond issuance costs | - | (694,595) | - | (694,595) | (956,029) |
| US Dept of HUD financing adjustment factor expense | - | - | - | - | (246,253) |
| Excess yield payments | - | - | (711,671) | (711,671) | (449,924) |
| Repayments of notes payable | - | - | (46,787) | (46,787) | (171,808) |
| Premium on bond call | - | - | - | - | (118,000) |
| Interfund payments made | (2,625) | (1,005,088) | (129,526) | (1,137,239) | (7,880,303) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (64,887) | 30,247,934 | (14,010,557) | 16,172,490 | (96,282,409) |
| CAPITAL FINANCING ACTIVITIES: | | | | | |
| Capital grant funds from U.S. Dept of HUD | 497,586 | - | - | 497,586 | 489,913 |
| Proceeds from sale of capital assets | 116,350 | - | - | 116,350 | 224,199 |
| Purchase of capital assets | (2,504,001) | - | - | (2,504,001) | (1,087,250) |
| NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES | (1,890,065) | - | - | (1,890,065) | (373,138) |
| INVESTING ACTIVITIES: | | | | | |
| Proceeds from sale of maturities and investment securities | 55,420,563 | 191,053,763 | 108,234,987 | 354,709,313 | 590,588,919 |
| Interest income on investments | 69,703 | 2,000,938 | 1,280,075 | 3,350,716 | 4,661,104 |
| Purchase of investment securities | (54,391,251) | (241,683,077) | (109,356,344) | (405,430,672) | (568,998,117) |
| Rebate of excess investment interest | - | (261,641) | (47,766) | (309,407) | (52,408) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 1,099,015 | (48,890,017) | 110,952 | (47,680,050) | 26,199,498 |
| NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS | - | 1,693 | - | 1,693 | (564,110) |
| CASH/CASH EQUIVALENTS, BEGINNING OF YEAR | - | 153,771 | - | 153,771 | 717,881 |
| CASH/CASH EQUIVALENTS, END OF YEAR | \$ - | \$ 155,474 | \$ - | \$ 155,464 | \$ 153,771 |

Continued on next page.

DELAWARE STATE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

| | FEDERAL PROGRAMS ENTERPRISE FUND | SINGLE FAMILY PROGRAMS ENTERPRISE FUND | MULTI- FAMILY PROGRAMS ENTERPRISE FUND | TOTAL ENTERPRISE FUNDS | |
|---|---|--|--|---------------------------|-----------------|
| | | | | 2005 | 2004 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| OPERATING INCOME /(LOSS) | \$ 380,429 | \$ (971,062) | \$ 1,839,229 | \$ 1,248,596 | \$ 1,607,172 |
| Adjustments to reconcile operating income /(loss) to net cash provided (used) by operating activities: | | | | | |
| Amortization of deferred bond issuance costs | - | 763,800 | 312,406 | 1,076,206 | 1,411,908 |
| Amortization of deferred revenues | - | (757,187) | - | (757,187) | (674,425) |
| Net gain on sale of capital assets | (33,307) | - | - | (33,307) | (41,337) |
| Depreciation expense | 1,211,528 | - | - | 1,211,528 | 1,057,863 |
| Interest expense on bonds | - | 13,646,521 | 3,500,817 | 17,147,338 | 19,803,507 |
| Noncash contributions | - | - | - | - | (11,402,385) |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in accrued interest and other receivables | (1,054,647) | 693,915 | 62,646 | (298,086) | 997,714 |
| (Increase) decrease in mortgage loans receivable | (541,249) | 4,301,432 | 8,950,563 | 12,710,746 | 57,317,127 |
| (Increase) decrease in bond issuance costs | - | - | - | - | 749,132 |
| (Increase) decrease in other assets | (126,474) | - | - | (126,474) | (13,322) |
| Increase (decrease) in accounts payable and accrued expenses | 1,019,657 | 1,004,752 | (766,056) | 1,258,353 | (70,157) |
| Increase (decrease) in notes payable | - | - | - | - | (25,639) |
| Increase (decrease) in bonds payable | - | (38,395) | - | (38,395) | (825,219) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 855,937 | \$ 18,643,776 | \$ 13,899,605 | \$ 33,399,318 | \$ 69,891,939 |
| NONCASH NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ 51,193 |
| Transfers out | - | - | - | - | (11,453,578) |
| Net noncash transfers | \$ - | \$ - | \$ - | \$ - | \$ (11,402,385) |
| NONCASH INVESTING ACTIVITIES | | | | | |
| Increase(decrease) in fair value of investments | \$ - | \$ 44,997 | \$ 65,568 | \$ 110,565 | \$ (40,529) |

The accompanying notes are an integral part of the financial statement.

DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

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DELAWARE STATE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Delaware State Housing Authority (the "Authority") was created in 1968 by an act of the General Assembly of the State of Delaware (the "State"). The Authority, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. The Authority was established in July 1998 as an independent Authority in the Executive Department, reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key aspect of State policy. For financial reporting purposes, the Authority is a discretely presented component unit of the State.

The Authority is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the Federal government and others.

The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. Currently, the Authority's total bonded debt limitation is \$350,000,000 for bonds subject to the Capital Reserve Fund Provision. As of June 30, 2005, there are no bonds outstanding subject to the limitation. To issue debt subject to Capital Reserve requirements in excess of this limitation would require approval of the State of Delaware General Assembly. There is no State limit on Authority bonds not subject to the Capital Reserve Fund provision; however, the Authority must abide by federal private activity caps. Bonds and notes issued by the Authority are not a debt or liability of the State (nor any political subdivision or agency thereof), and neither the faith, credit nor taxing power of the State is liable for repayment of such obligations. Bonds and notes of the Authority are secured solely by the revenues, loans and other pledged assets under the related Bond Indenture and are not payable from any other revenues of the Authority. Furthermore, the Authority has no taxing power.

In 1987, the State transferred the administrative responsibility for the Housing Development Fund ("HDF"), Community Development Block Grant and the Delaware Housing Insurance Fund to the Authority, and accordingly, the basic financial statements of the Authority include these activities.

B. Entity-wide and fund financial statements

The Authority's financial report consists of entity-wide financial statements and fund financial statements, accompanied by these notes to the financial statements, a management's discussion and analysis, and supplementary information.

The entity-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Authority. Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by state grants, interest income, and transfers, are reported separately from business-type activities, which rely to a significant extent on federal grants, interest income, mortgage repayments, and bond proceeds for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Indirect expenses are allocated to a specific function in accordance with the Authority's U.S. Department

of Housing and Urban Development (US Dept of HUD) approved cost allocation plan. Interest expense on long-term debt is included in the direct expense of an individual function on the entity-wide statement of activities. Program revenues include 1) charges to clients or applicants who use or directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Investment income and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as applicable. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent in accordance with the Authority's enabling legislation, the various note and bond resolutions and indentures, and/or the requirements of the US Dept of HUD.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental and enterprise funds are reported as separate columns in the fund financial statements. The Authority reports the General Fund and the Housing Development Fund as major governmental funds. All other governmental funds are reported as non-major. The Authority also reports its only enterprise funds - the Federal Programs, Single Family Programs, and Multi-Family Programs funds - as major.

The Authority's funds are as follows:

Governmental Fund Types

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Special Revenue Funds are used for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (other than for major capital projects). The Authority's Special Revenue Funds are as follows:

1. Housing Development Fund (HDF) - This Fund was established to make low-interest and interest-free loans and/or grants to nonprofit and limited profit housing sponsors for the development of certain housing for low-to-moderate income persons. Funding is provided by the State through annual grant appropriations.
2. Delaware Housing Insurance Fund (DHIF) - This Fund was established to account for the activity related to the Authority's administration of State funds which provide loan insurance for certain housing development loans.
3. Neighborhood Revitalization Fund (NRF) - This Fund was established under the 21st Century Fund of the State to support the revitalization of communities and preserve the affordable housing stock for low and moderate income families by rehabilitating substandard houses in selected communities throughout the State.
4. Construction Loan Fund (CLF) - The Authority entered into a \$6.3 million loan agreement with Federal National Mortgage Association (FNMA) in May 2003 to provide construction financing for three HDF/Tax Credit developments through FNMA's American Community Fund (ACF). In September 2004, the Authority entered into a second FNMA/ACF loan agreement in the amount of \$7.303 million to provide construction financing for five additional developments. The Authority is able to draw against these loan agreements as necessary. By using the ACF for construction financing in place of the HDF for these developments, DSHA will free up funds for other purposes of the HDF, which have been put on hold due to past budget cuts. DSHA's continued use of this program will depend on the actual costs experienced in terms of interest and fees. Future loans with FNMA are based upon DSHA's General Obligation rating from Moody's (A2), and are dependent upon DSHA maintaining an unreserved fund balance in the general and special funds equal to the amount to be borrowed.

5. Second Mortgage Assistance Loans (SMAL) Program - This Fund accounts for a program that provides second mortgage loan assistance to qualified first time home buyers who have inadequate savings to cover up-front costs associated with a home purchase. Originally tied to the Single Family Program, the program was expanded in 1993 to include any qualified first-time home buyer.
6. Northeast Initiative Loans (NE) - This Fund accounts for a loan program financed by the HDF which provided interest-free deferrable loans to renovate owner occupied housing and low-interest deferrable loans to investors.
7. Housing Rehabilitation Loan Program (HRLP) - This Fund accounts for a program financed by the HDF that provides low-interest rate loans to qualified owners/ investors to rehabilitate homes.
8. Authority Loans (AL) - This fund accounts for certain single family loans released from Bond Indenture requirements as a result of the refunding in previous fiscal years of the 1984 Series A, 1987 Series A, 1988 Series B, 1989 Series A issues; and the fiscal 2004 refunding of the 1989 Series B, 1990 Series A, 1991 Series A and B, and 1993 Series A issues. This fund also accounts for the Metroplex II multi-family loan which was released from Bond Indenture requirements as a result of the 1991A bond refunding in fiscal 2002.
9. Live Near Your Work Program - This Fund accounts for a grant program financed by the HDF which provides matching grants up to \$1,000 per eligible family to assist with down payment/settlement costs. The program is in cooperation with Delaware Development Office, Delaware Chamber of Commerce, certain businesses and local jurisdictions to provide financial assistance for employees to purchase homes near their workplace.

Proprietary Fund Type

Three Enterprise funds are used to account for the activities of the Authority's Federal Programs, Single Family Programs, and Multi-Family Programs as described below:

1. Federal Programs Fund

Public Housing - Accounts for the activity related to the Authority's operation of ten housing projects or sites under the US Dept of HUD Low Income Housing Program. Under this Program, US Dept of HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating and debt service expenses of the projects. Escrow deposits in this program represent amounts set aside from rental income for participants within in the Public Housing Program who also participate in the Authority's Moving To Work (MTW) program. The MTW program provides housing assistance for a maximum of five years to low-income Delawareans. Participants in the Moving To Work Program sign a Contract of Mutual Participation which outlines a plan to assist them in becoming more financially independent.

Section 8 - Accounts for the activity related to the Authority's administration of a US Dept of HUD Section 8 Housing Assistance Program. Under this Program, rental subsidies are received from US Dept of HUD via annual contributions contracts and disbursed to landlords in order to preserve the low rental nature of the housing units. Escrow deposits in this program represent amounts set aside from rental subsidies for participants within the Section 8 Housing Assistance Program who also participate in the Authority's MTW program.

Community Development Block Grant - Grants received from US Dept of HUD which are either distributed as loans or grants in the furtherance of community development.

HOME Investment Partnership Program - US Dept of HUD funding provided for low-interest and interest-free loans and/or grants to nonprofit and limited profit housing sponsors for the development of certain housing for low-to-moderate income persons.

Housing Needs Reserve - Administrative fees derived from the Section 8 Programs.

Section 8 Contract Administration - Contract Administration (CA) services for 30 US Dept of HUD financed/insured Section 8 developments in Delaware.

Statewide Association of Tenants - Resident Opportunities and Self-Sufficiency (SWAT-ROSS) Grant Program - The Authority has agreed to perform the contract administration functions for the Statewide Association of Tenants, the recipient of a US Dept of HUD Resident Opportunities and Self-Sufficiency grant. The Authority receives and disburses the grant funds on behalf of the grantee in accordance with approved budgets.

2. Single Family Programs Fund

Single Family Bond Program - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes. Private financial institutions act as agents for the Authority and process, disburse and service individual loans. Separate accounts are maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.

Second Mortgage Assistance Loan (SMAL) Bond Program - This Program accounts for the proceeds of the Senior SMAL Mortgage Revenue Bonds, which provide second mortgages for qualifying home buyers.

3. Multi-Family Programs Fund

Multi-Family Bond Program - This program accounts for the proceeds of Housing Development Revenue Bonds used to provide both construction and long-term permanent financing for newly constructed multi-family housing projects; the proceeds of Multi-Family Mortgage Revenue Bonds used to provide permanent financing for multi-family housing projects; and the proceeds of the Multi-Family Mortgage Revenue Refunding Bonds used to refund other multi-family bond issues. Separate accounts are maintained for each bond issue in accordance with the bond resolutions and indentures; however, for financial statement purposes, these accounts have been combined. Any excess of revenues over expenses in these accounts as defined by the respective resolutions and indentures, is not available for the general and lawful use of the Authority until all restrictive covenants of the bond resolutions and indentures have been met.

Financing Adjustment Factor (FAF) Reserve Program - The FAF Reserve accounts for the proceeds of the General Obligation bonds issued on behalf of the Authority by the State of Delaware to enable the Authority to obtain immediate benefit of the FAF savings as required by US Dept of HUD to permit US Dept of HUD to obtain the benefit of lower financing interest rates.

C. Measurement focus, basis of accounting, and financial statement presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all eligibility requirements have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the entity-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing mortgages and grants in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority enterprise funds are US Dept of HUD grants and mortgage interest. Operating grants are classified as operating revenues if they finance a program that the Authority would not otherwise undertake. These grants reimburse the costs of these programs whose activity is inherently part of the operations of the Authority. The Authority also recognizes as operating revenue rental income from Public Housing sites. Operating expenses for enterprise funds include grant expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The governmental fund financial statements (General and Special Revenue Funds) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are recognized for the major revenue categories subject to the availability criteria as follows:

- Grant revenues (wherein monies must be expended on specific purposes prior to the Authority being reimbursed) are recognized as reimbursable expenditures as incurred.
- Service revenues are recognized as earned.
- Interest revenues on cash and investments are recognized as earned.
- Interest revenues on mortgage loans are recognized as earned.

However, changes in the fair value of investments are recognized as revenue without reference to the availability criteria.

Under the modified accrual basis of accounting, expenditures (operating, capital and debt service) are generally recognized when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgement, are recorded only when payment is due.

D. Assets, liabilities, and net assets or equity

Cash and Cash Equivalents

The Authority considers all checking deposits, demand deposits and uninvested principal cash to be cash and cash equivalents.

Investments

Investment securities are recorded at fair value, except that investment securities with a remaining maturity at time of purchase of one year or less are reported at cost adjusted for the amortization of premium or the accretion of discount over the term of the investment, which approximates fair value (see Note IV., A.)

Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of \$36,167 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund for the fiscal year ended June 30, 2005.

Mortgage Loans Receivable

Mortgage loans are recorded at their unpaid principal balances net of allowances for doubtful accounts (see Note IV., B.)

Land, Structures and Equipment

Land, structures and equipment acquired for general Authority operations are capitalized in the entity-wide and proprietary fund financial statements at cost net of accumulated depreciation. Land, structures and equipment in the Federal Programs Fund consist principally of ten low-income multi-family housing projects recorded at cost or appraised value at the date of contribution net of accumulated depreciation. The straight line depreciation method is used. The Authority follows the practice of capitalizing all expenditures for capital assets in excess of \$25,000, effective July 1, 2004. The estimated useful lives are as follows:

| | |
|------------------------------------|----------|
| Buildings | 27 years |
| Depreciable Land/Site Improvements | 15 years |
| Computer Software | 10 years |
| Telecommunications Equipment | 10 years |
| Equipment | 5 years |
| Computer Equipment | 3 years |

Deferred Bond Issuance Costs

Bond issuance costs are capitalized and amortized over the term of the bond issue using the bonds outstanding method which approximates the level yield method.

Accrued Arbitrage Rebate Payable

The Authority accrues the arbitrage rebate owed to the Internal Revenue Service when the investment earnings exceed the allowable earnings.

Compensated Absences Payable

In accordance with GASB Statement No. 16, the Authority has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered.

The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be used and not forfeited. Additionally, current compensated absences

include annual leave balances payable to employees at fiscal year end based on the Authority's knowledge of pending retirements or resignations. The balance of annual leave accrual is considered noncurrent. The Authority considers all sick leave accruals noncurrent.

Escrow Deposits

In the Multi-Family Programs Enterprise Fund, escrow deposits represent amounts withheld from housing assistance contributions received from US Dept of HUD for the payment of property insurance, property taxes and property replacement requirements for the Multi-Family Program. Additionally, the Multi-Family Program project and development cost escrows which represent amounts withheld from the disbursement of mortgage loans for the payment of capital, start-up, and operating costs of the projects to the extent that income from the projects may be insufficient. Each project's share of the project cost escrow is refundable to the borrower upon repayment in full of its mortgage and other loans. In the Federal Programs Fund, escrow deposits are held for the HOME and MTW programs. The HOME escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements. MTW escrow deposits represent amounts set aside from rental income for the Moving To Work Rental Housing Program.

In the Special Revenue Funds, escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements for the Housing Development Fund.

Interest earnings from the investment of such escrows are distributed to the escrow accounts.

Nonrefundable Deferred Commitment Fees

Commitment and application fees in the Single Family Programs Fund represent non-refundable payments from contractors for the purpose of securing a commitment for permanent mortgage loans for single family units to be constructed by the contractor. These fees are capitalized and amortized over the loan period using the bonds outstanding method which approximates the level yield method.

Restricted Resources

The Authority spends restricted resources first and uses unrestricted resources for purposes for which restricted resources are not available.

Net Assets/Fund Equity

In the entity-wide statement of net assets, the Authority reports net assets in three categories - invested in capital assets, net of related debts; restricted; and unrestricted. The amount of unrestricted net assets is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the State of Delaware Code and the Authority's bond resolutions.

The Authority records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not present available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Amounts reserved for long term loans receivable in the non-major governmental funds are reduced by estimated principal payments for the next 12 months in the HRLP and AL program.

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the Authority's June 30, 2004, financial statements to be comparative with the current-year presentation. (See Note V., F.)

Statement of Cash Flows

For purposes of reporting cash flows of Proprietary Funds, cash balances consist of checking deposits, demand deposits, and uninvested principal cash. GASB Statement No. 9 requires reporting both purchases and sales of investments under Investing Activities. As permitted under Statement No. 9, however, certain investment transactions have been reported as a net change in the statement of cash flows because the turnover rate of such investments is high and their maturities are short.

II. RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the entity-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$2,063,790 difference are as follows:

| | |
|--------------------------------|--------------------|
| Capital assets | \$3,173,180 |
| Less: Accumulated depreciation | <u>(1,109,390)</u> |
| Net capital asset adjustment | <u>\$2,063,790</u> |

The other element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this \$2,914,573 difference are as follows:

| | |
|------------------------------------|--------------------|
| Compensated absences | \$ 678,340 |
| Notes payable | <u>2,236,233</u> |
| Net long-term liability adjustment | <u>\$2,914,573</u> |

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(38,531) difference are as follows:

| | |
|------------------------------|---------------------|
| Capital outlay | \$ 62,254 |
| Less: Depreciation expense | <u>(100,785)</u> |
| Net capital asset adjustment | <u>\$ (38,531)</u> |

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$2,394,142 difference are as follows:

| | |
|-------------------------|---------------------|
| Debt issued or incurred | \$ (3,946,873) |
| Principal repayments | <u>6,341,015</u> |
| Net debt adjustment | <u>\$ 2,394,142</u> |

III. COMPLIANCE AND ACCOUNTABILITY

The following individual program within the Single Family Program fund has an accumulated deficit equity as of June 30, 2005:

| | |
|---|-------------|
| Second Mortgage Assistance Loan (SMAL) Bond Program | \$(177,619) |
|---|-------------|

The SMAL Bond Program deficit represents cumulative losses due to foreclosures and the establishment of an allowance for doubtful accounts.

The following individual program within the Multi-Family Program fund has an accumulated deficit as of June 30, 2005:

| | |
|--------------|-------------|
| FAF Reserves | \$(578,799) |
|--------------|-------------|

The debt service requirement for the FAF Reserves are funded by transfers from other multi-family issues when payments are due. Therefore, the liabilities exceed the assets due to the nature of their funding.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The Authority has adopted GASB Statement No. 40, "Deposit and Investment Risk Disclosures." Adoption of that Statement had no effect on the amounts or classification of deposit and investment transactions in the financial statements.

Investment Policies

The Authority has an investment policy that encompasses all moneys related to the issuance of bonds, as well as, all funds otherwise held by the Authority. The Authority seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints.

The Authority is allowed to invest in certain qualified investments as defined by amended Section 4013, Chapter 40, Title 31, of the Delaware Code and the Authority's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

- a. Obligations of or explicitly guaranteed by the U.S. or Delaware state governments.
- b. Obligations of U.S. government-sponsored enterprises and U.S. government agencies and instrumentalities.
- c. Obligations of depositories and other financial institutions.

- d. Bankers' acceptances.
- e. Commercial paper
- f. Money market mutual funds
- g. Corporate debt obligations
- h. The State of Delaware investment pool with the State Treasurer's Office.
- i. Other investment arrangements made pursuant to an investment agreement authorized by a resolution of the Authority.

Certain federal funds administered by the Authority are subject to additional limitations within the qualified investments listed above.

For the State of Delaware Investment Pool, fair value of the pool shares is the same as the carrying value of the pool shares. The State of Delaware Cash Management Policy Board provides oversight for this pool.

Investments

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchange prices for all investments, except for the State of Delaware Investment Pool. The State pool is valued based on the pool's share price. The following is a listing of investments and their maturities.

| Investment Type | Fair Value | Investments Maturities (in Years) | | | | |
|---|--------------|-----------------------------------|--------------|---------|----------|----------|
| | | Less than 1 | 1 to 5 | 5 to 10 | 10 to 20 | 20 to 30 |
| Governmental activities: | | | | | | |
| General Fund: | | | | | | |
| U.S. Treasury Notes | \$ 4,318,970 | \$ 500,000 | \$ 3,875,000 | \$ - | \$ - | \$ - |
| U.S. Treasury Bonds | 69,923 | - | - | 53,000 | - | - |
| Repurchase Agreement | 240,697 | 240,697 | - | - | - | - |
| U.S. Agencies | 4,092,930 | 2,288,000 | 1,830,000 | - | - | - |
| Corporate Notes | 7,022,762 | 3,100,000 | 3,969,000 | - | - | - |
| Money Market Savings Accounts | 958 | 958 | - | - | - | - |
| Bank Money Market Accounts | 889,811 | 889,811 | - | - | - | - |
| State of Delaware Investment Pool | 4,882,630 | 4,882,630 | - | - | - | - |
| Total General Fund | 21,518,681 | 11,902,096 | 9,674,000 | 53,000 | - | - |
| HDF & Nonmajor Funds: | | | | | | |
| U.S. Agencies | 15,089,225 | 5,125,000 | 4,935,000 | - | - | - |
| Money Market Savings Accounts | 56,327 | 56,327 | - | - | - | - |
| Bank Money Market Accounts | 1,034 | 1,034 | - | - | - | - |
| State of Delaware Investment Pool | 16,999,974 | 17,135,110 | - | - | - | - |
| Total HDF & Nonmajor Funds | 32,146,560 | 22,317,471 | 4,935,000 | - | - | - |
| Total Governmental Activities - Investments | 53,665,241 | 34,219,567 | 14,609,000 | 53,000 | - | - |

| Investment Type | Investments Maturities (in Years) | | | | | |
|--|-----------------------------------|---------------|---------------|--------------|---------------|---------------|
| | Fair Value | Less than 1 | 1 to 5 | 5 to 10 | 10 to 20 | 20 to 30 |
| Business-type activities: | | | | | | |
| Federal Programs: | | | | | | |
| Bank Money Market Accounts | 1,850,267 | 1,850,267 | - | - | - | - |
| State of Delaware Investment Pool | 2,345,015 | 2,345,015 | - | - | - | - |
| Total Federal Programs | 4,195,282 | 4,195,282 | - | - | - | - |
| Single and Multi-Family Programs: | | | | | | |
| U.S. Treasury Notes | 14,283,143 | 8,758,174 | 4,990,138 | 126,000 | - | 467,000 |
| U.S. Treasury Bonds | 126,388 | - | - | 90,000 | - | 19,000 |
| U.S. Treasury Bills | 1,111,440 | 1,129,000 | - | - | - | - |
| U.S. Treasury Strips | 2,630,614 | 455,000 | 1,819,000 | 681,000 | - | - |
| Resolution Funding Corp. Coupon Strips | 267,680 | - | - | 362,000 | - | - |
| Municipal Bonds | 2,189,801 | - | 2,195,000 | 335,000 | - | - |
| Investment Agreements | 95,629,431 | - | 65,402,391 | 4,449,554 | 12,053,981 | 13,723,504 |
| Money Market Savings Accounts | 622,486 | 622,486 | - | - | - | - |
| Bank Money Market Accounts | 32,047 | 32,047 | - | - | - | - |
| State of Delaware Investment Pool | 3,006,448 | 3,006,448 | - | - | - | - |
| Total Single and Multi-Family Programs | 119,899,478 | 14,003,155 | 74,406,529 | 6,043,554 | 12,053,981 | 14,209,504 |
| Total Business-Type Activities-Investments | 124,094,760 | 18,198,437 | 74,406,529 | 6,043,554 | 12,053,981 | 14,209,504 |
| Total Entity-Wide Investments | \$ 177,760,001 | \$ 52,418,004 | \$ 89,015,529 | \$ 6,096,554 | \$ 12,053,981 | \$ 14,209,504 |

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy places limits on maturities for the various funds as follows:

- a. Single Family & Multi-Family Program Funds: Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- b. Federal Program Funds: HUD funds held by the Authority should have a maximum maturity of one year. HUD-related funds held by the Authority (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.
- c. General Fund: The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific investments may be transferred into the account from time to time that may have a longer maturity. The Authority may further reduce the maximum maturity of the operating reserve investments from time to time.
- d. Other Authority funds should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.
- e. Authority investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest

will be fully repaid. The Authority is not permitted to enter into investments that have an expected maturity date that can be extended depending upon market conditions.

Credit Risk

The Authority's general investment policy is to make investments with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. The Authority's investment policy limits its investment choices as mentioned above under Investments. For the Authority's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. As of June 30, 2005, the Authority's investments were rated as follows:

| Investment Type | Treasury | Agency | Rating (S & P) | | | |
|--|--------------|------------|----------------|-----------|-----------|-----------|
| | | | AAA | AA | A+ | AA- |
| Governmental activities: | | | | | | |
| General Fund: | | | | | | |
| U.S. Treasury Notes | \$ 4,318,970 | | | | | |
| U.S. Treasury Bonds | 69,923 | | | | | |
| U.S. Agencies | | 4,092,930 | | | | |
| Corporate Notes | | | 1,213,392 | 1,742,500 | 1,102,014 | 2,964,856 |
| HDF & Nonmajor Funds: | | | | | | |
| U.S. Agencies | | 15,089,225 | | | | |
| Business Type Activities: | | | | | | |
| Single and Multi-Family Programs: | | | | | | |
| U.S. Treasury Notes | 14,282,143 | | | | | |
| U.S. Treasury Bonds | 126,388 | | | | | |
| U.S. Treasury Bills | 1,111,440 | | | | | |
| U.S. Treasury Strips | 2,630,614 | | | | | |
| Resolution Funding Corp. Coupon Strips | | | 267,680 | | | |
| Municipal Bonds | | | 248,627 | | | 1,941,174 |

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$177,760,001 investment balance, \$95,629,431 represents deposits held by various Guaranteed Investment Contract (GIC) providers. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the financial institution providing the GIC.

B. Receivables

Total receivables as of year end are as follows:

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------|
| Mortgage loans | \$ 106,797,520 | \$ 289,427,452 | \$ 396,224,972 |
| Accrued interest | 13,450,705 | 7,237,727 | 20,688,432 |
| Other receivables | 859,674 | 1,239,554 | 2,099,228 |
| Grants receivables | - | 155,314 | 155,314 |
| Total receivables | 121,107,899 | 298,060,047 | 419,167,946 |
| Allowance for doubtful accounts | 269,424 | 687,688 | 957,112 |
| Total receivables, net | \$ 120,838,475 | \$ 297,372,359 | \$ 418,210,834 |
| Amounts not scheduled for collection during the subsequent year | \$ 102,564,576 | \$ 282,671,831 | \$ 385,236,407 |

Mortgage loans receivable

A summary of mortgage loans receivable at June 30, 2005 is shown below:

Governmental activities:

| | |
|------------------------------|--------------------|
| Housing Development Fund | \$ 85,180,972 |
| Non-major governmental funds | 21,616,548 |
| | <u>106,797,520</u> |

Less:

| | |
|--|--------------------|
| Allowance for doubtful accounts | (269,424) |
| Net mortgage loan receivables, governmental activities | <u>106,528,096</u> |

Business-type activities:

| | |
|-----------------------------|--------------------|
| Federal Programs Fund | 22,960,963 |
| Single Family Programs Fund | 215,109,970 |
| Multi-Family Programs Fund | 51,356,519 |
| | <u>289,427,452</u> |

Less:

| | |
|---|--------------------|
| Allowance for doubtful accounts | 687,688 |
| Net mortgage loan receivables, business-type activities | <u>288,739,764</u> |

| | |
|--------------------------------------|------------------------------|
| Total mortgage loans receivable, net | <u><u>\$ 395,267,860</u></u> |
|--------------------------------------|------------------------------|

Mortgage loans outstanding in the Housing Development Fund are collateralized by first, second or third mortgages on the properties and, in limited instances, are guaranteed by corporate sponsors.

Consistent with program purposes (see Note I, B.), certain loans from the Housing Development Fund are subject to forgiveness contingent upon a number of conditions. As of June 30, 2005, loans of approximately \$956,852 have specific forgiveness provisions. Currently, no outstanding loans have met these provisions.

Mortgage loans receivable in the Single Family Programs Fund, which include certain mortgage loans receivable that have been securitized by FNMA and GNMA, are secured by first liens on real property. Loans purchased in the Single Family Programs Fund that have a loan to value ratio in excess of 72% (80% for loans purchased after 1986) are insured or guaranteed by either the Federal Housing Administration ("FHA"), the Farmers Home Administration ("FmHA"), the Department of Veterans' Affairs ("VA"), or by a private primary mortgage insurance policy. All loans purchased under this Program, exclusive of FHA and VA loans, are also insured by a mortgage pool insurance policy. Interest rates on the loans range from 4.5% to 10.85% with maturities of such loans ranging from 20 to 30 years.

Mortgage loans outstanding in the Multi-Family Programs Fund are insured by the FHA or secured by pledged Section 8 housing assistance payments payable under the projects' Housing Assistance Payments Contract with HUD. Some of these loans have been securitized by FNMA. Interest is charged at rates ranging from 1.0% to 12.425%, except for one loan of approximately \$250,000 outstanding on which no interest is currently charged. Interest charges during the construction phases of the projects are capitalized as part of loans outstanding. Maturity dates of these loans range from February 2011 to May 2025.

Accrued interest and other receivables

Accrued interest and other receivables as of year end are as follows:

| | Governmental Activities | | | Business-type Activities | | | |
|---------------------|-------------------------|---------------------------------|------------------------------------|--------------------------|-------------------------------|------------------------------|---------------------|
| | <u>General Fund</u> | <u>Housing Development Fund</u> | <u>Nonmajor governmental Funds</u> | <u>Federal Programs</u> | <u>Single Family Programs</u> | <u>Multi-Family Programs</u> | <u>Total</u> |
| Loan Interest | \$ - | \$ 11,832,567 | \$ 1,481,377 | \$ 2,986,536 | \$ 3,133,076 | \$ 568,118 | \$20,001,674 |
| Investment Interest | 129,551 | 7,210 | - | - | 265,335 | 284,662 | 686,758 |
| HDF Projects | 488,538 | - | - | - | - | - | 488,538 |
| Other Projects | - | - | - | 88,000 | - | - | 88,000 |
| Servicers | - | - | 64,976 | - | 511,101 | - | 576,077 |
| Tenants, net | - | - | - | 104,574 | - | - | 104,574 |
| Other | 72,548 | 211,094 | 22,518 | 535,879 | - | - | 842,039 |
| Total | <u>\$ 690,637</u> | <u>\$ 12,050,871</u> | <u>\$ 1,568,871</u> | <u>\$ 3,714,989</u> | <u>\$ 3,909,512</u> | <u>\$ 852,780</u> | <u>\$22,787,660</u> |

C. Accounts Payable

Accounts payables as of year end are as follows:

| | Governmental Activities | | | Business-type Activities | | | |
|-------------------|-------------------------|---------------------------------|------------------------------------|--------------------------|-------------------------------|------------------------------|---------------------|
| | <u>General Fund</u> | <u>Housing Development Fund</u> | <u>Nonmajor governmental funds</u> | <u>Federal programs</u> | <u>Single family programs</u> | <u>Multi family programs</u> | <u>Total</u> |
| Vendors | \$ 144,298 | \$ - | \$ - | \$ 182,404 | \$ - | \$ - | \$ 326,702 |
| Salaries | 164,288 | - | - | 51,008 | - | - | 215,296 |
| U.S. Dept of HUD | 72,594 | - | - | 2,112,195 | - | 956,949 | 3,141,738 |
| Security deposits | - | - | - | 131,090 | - | - | 131,090 |
| Other | 367,413 | 1,875 | 61,843 | 1,269,735 | 32,564 | 4,044 | 1,737,474 |
| Total | <u>\$ 748,593</u> | <u>\$ 1,875</u> | <u>\$ 61,843</u> | <u>\$3,746,432</u> | <u>\$ 32,564</u> | <u>\$ 960,993</u> | <u>\$ 5,552,300</u> |

D. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

| | Beginning Balance June 30, 2004 | Increases | Decreases | Ending Balance June 30, 2005 |
|--|------------------------------------|--------------|-----------|---------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 797,960 | \$ - | \$ - | 797,960 |
| Buildings held for resale | - | 29,855 | 29,855 | - |
| Total capital assets, not being depreciated | 797,960 | 29,855 | 29,855 | 797,960 |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,685,898 | - | - | 1,685,898 |
| Land/Site Improvements | 149,675 | 62,254 | - | 211,929 |
| Computer Equipment | 415,167 | - | - | 415,167 |
| Equipment | 25,479 | - | - | 25,479 |
| Telecommunications equipment | 36,747 | - | - | 36,747 |
| Total capital assets being depreciated | 2,312,966 | 62,254 | - | 2,375,220 |
| Less accumulated depreciation for: | | | | |
| Buildings | 525,728 | 62,440 | - | 588,168 |
| Land/Site improvements | 129,717 | 12,053 | - | 141,770 |
| Computer Equipment | 301,346 | 22,617 | - | 323,963 |
| Equipment | 25,479 | - | - | 25,479 |
| Telecommunications equipment | 26,335 | 3,675 | - | 30,010 |
| Total accumulated depreciation | 1,008,605 | 100,785 | - | 1,109,390 |
| Total capital assets, being depreciated, net | 1,304,361 | (38,531) | - | 1,265,830 |
| Governmental activities capital assets, net | \$ 2,102,321 | \$ (8,676) | \$ 29,855 | \$ 2,063,790 |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,421,242 | \$ - | \$ 15,500 | \$ 2,405,742 |
| Buildings held for resale | 584,034 | - | 67,543 | 516,491 |
| Construction in progress | 196,105 | 2,504,001 | - | 2,700,106 |
| Total capital assets, not being depreciated | 3,201,381 | 2,504,001 | 83,043 | 5,622,339 |
| Capital assets, being depreciated: | | | | |
| Buildings | 22,600,570 | - | - | 22,600,570 |
| Land/Site Improvements | 9,431,386 | - | - | 9,431,386 |
| Equipment | 96,543 | - | - | 96,543 |
| Total capital assets being depreciated | 32,128,499 | - | - | 32,128,499 |
| Less accumulated depreciation for: | | | | |
| Buildings | 11,750,298 | 702,811 | - | 12,453,109 |
| Land/Site improvements | 4,567,704 | 507,865 | - | 5,075,569 |
| Equipment | 45,487 | 851 | - | 46,338 |
| Total accumulated depreciation | 16,363,489 | 1,211,527 | - | 17,575,016 |
| Total capital assets, being depreciated, net | 15,765,010 | (1,211,527) | - | 14,553,483 |
| Business-type activities capital assets, net | \$ 18,966,391 | \$ 1,292,474 | \$ 83,043 | \$ 20,175,822 |

Depreciation expense of \$100,785 was charged to the administrative function in the governmental activities.

Depreciation expense of \$1,211,527 was charged to the affordable rental housing function in the business-type activities.

Construction commitments

The Authority has active capital projects as of June 30, 2005. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$254,743, relating to business-type activities and the Federal Programs Enterprise Fund.

E. Interfund transactions

The composition of interfund balances as of June 30, 2005, is as follows:
Due to/from other funds:

| | | | | | | |
|-----------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|----------------------|
| Current: | Due From: | | Housing | Nonmajor | Federal | |
| | <u>General Fund</u> | | <u>Development</u> | <u>Governmental</u> | <u>Programs</u> | <u>Total</u> |
| | | | <u>Fund</u> | <u>Funds</u> | | |
| Due to: | | | | | | |
| General fund | \$ - | \$ 25 | \$ 27 | \$ 1,000 | \$ 1,052 | |
| Housing Development Fund | - | - | 34 | - | 34 | |
| Nonmajor governmental funds | 58,101 | - | - | - | 58,101 | |
| Federal programs | 22,654 | - | - | 19,473 | 42,127 | |
| Single family programs | 181,842 | - | 202,581 | - | 384,423 | |
| Total | <u>\$ 262,597</u> | <u>\$ 25</u> | <u>\$ 202,642</u> | <u>\$ 20,473</u> | <u>\$ 485,737</u> | |
| Noncurrent: | Due From: | Nonmajor | Federal | Single | Multi- | |
| | <u>General Fund</u> | <u>governmental</u> | <u>programs</u> | <u>family</u> | <u>Family</u> | <u>Total</u> |
| | | <u>funds</u> | | <u>programs</u> | <u>Programs</u> | |
| Due to: | | | | | | |
| General Fund | \$ - | \$ - | \$ - | \$ 1,239,000 | \$ - | \$ 1,239,000 |
| Housing Development Fund | 260,222 | 8,065,324 | 539,400 | - | - | 8,864,946 |
| Nonmajor governmental funds | - | - | - | - | 1,500,000 | 1,500,000 |
| Total | <u>\$ 260,222</u> | <u>\$ 8,065,324</u> | <u>\$ 539,400</u> | <u>\$ 1,239,000</u> | <u>\$ 1,500,000</u> | <u>\$ 11,603,946</u> |

The current balances resulted from the time lag between the dates payments between funds are made. The noncurrent balances resulted from loans made from the Housing Development Fund as follows: \$260,222 to fund the Lewes land acquisition in the general fund, \$8,065,324 to fund other loan programs, and \$539,400 for matched funding in the Public Housing program. The \$1,239,000 represents a loan from the General Fund to the Single Family Mortgage Revenue Bond 2005 Series A issue for initial funding of cost of issuance. The \$1,500,000 represents a loan from the DHIF to the Multi-Family Mortgage Revenue Bond 2001 Series A issue.

Interfund transfers for the year ended June 30, 2005 consisted of the following:

| Transfers: | Transfers Out: | | | | | |
|-----------------------------|---------------------|------------------------------------|-------------------------|-------------------------------|------------------------------|---------------------------|
| | <u>General Fund</u> | <u>Nonmajor governmental funds</u> | <u>Federal Programs</u> | <u>Single family programs</u> | <u>Multi family programs</u> | <u>Total transfers in</u> |
| Transfers in: | | | | | | |
| General fund | \$ - | \$ 5,040,972 | \$ 2,625 | \$ 297,701 | \$ 64,526 | \$ 5,405,824 |
| Housing Development Fund | 75,000 | - | - | - | - | 75,000 |
| Nonmajor governmental funds | 57,736 | - | - | 707,387 | - | 765,123 |
| Federal programs | 2,625 | - | - | - | - | 2,625 |
| Single family programs | 277,128 | 18,469 | - | - | - | 295,597 |
| Multi family programs | 24,423 | - | - | - | - | 24,423 |
| Total transfer out | <u>\$ 436,912</u> | <u>\$ 5,059,441</u> | <u>\$ 2,625</u> | <u>\$ 1,005,088</u> | <u>\$ 64,526</u> | <u>\$ 6,568,592</u> |

Transfers from the Authority Loan program (a non-major governmental fund) and the Single Family and Multi-Family programs support general fund operations. These transfers are surplus funds, administrative fees, and early repayment of bonds.

F. Long-term debt

- Long-term debt activity for the year ended June 30, 2005, was as follows:

| | Beginning Balance, June 30, 2004 | Increase | Decrease | Ending Balance, June 30, 2005 | Due Within One Year |
|---|-------------------------------------|-----------------------|----------------------|----------------------------------|------------------------|
| Governmental activities: | | | | | |
| Compensated absences, relating to the General Fund | \$ 595,489 | \$ 364,149 | \$ 281,298 | \$ 678,340 | \$ 7,248 |
| Notes payable, relating to non-major governmental funds | 4,630,375 | 3,946,873 | 6,341,015 | 2,236,233 | 2,236,233 |
| Governmental activity long-term liabilities | <u>\$ 5,225,864</u> | <u>\$ 4,311,022</u> | <u>\$ 6,622,313</u> | <u>\$ 2,914,573</u> | <u>\$ 2,243,481</u> |
| Business-type activities: | | | | | |
| Compensated absences, Federal Programs Fund | \$ 173,475 | \$ 96,755 | \$ 71,816 | \$ 198,414 | \$ 3,497 |
| Notes payable, Multi-Family Programs Fund | 647,997 | - | 46,787 | 601,210 | 46,430 |
| Revenue bonds payable, Single Family Programs Fund | 245,526,366 | 108,363,809 | 63,627,260 | 290,262,915 | 3,091,860 |
| Revenue bonds payable, Multi-Family Programs Fund | 61,686,566 | 169,673 | 10,375,000 | 51,481,239 | 4,660,140 |
| Business-type activity long-term liabilities | <u>\$ 308,034,404</u> | <u>\$ 108,630,237</u> | <u>\$ 74,120,863</u> | <u>\$ 342,543,778</u> | <u>\$ 7,801,927</u> |

- Description of long-term debt

Compensated Absences

Compensated absences represent the amounts the Authority is obligated to pay for annual leave and sick leave. The General Fund is used to liquidate the liability within the governmental funds.

Notes Payable

Notes payable in Governmental Activities represent an obligation to the Federal National Mortgage Association (FNMA).

The Authority entered into a \$6,300,000 loan agreement with FNMA in May 2003 to provide construction financing for three HDF/Tax Credit developments through FNMA's American Community Fund (ACF). The note was paid in full during fiscal 2005 as the construction project loans converted to permanent HDF loans.

The Authority entered into a second ACF loan agreement with FNMA in September 2004 to provide construction financing for five additional HDF/Tax Credit developments. The total principal balance at June 30, 2005 was \$2,236,233. The note is payable as the construction projects convert to permanent HDF mortgages through September 2007 with interest accruing at an adjustable rate obtained by adding one hundred forty (140) basis points (1.40%) to the three month LIBOR, adjusted quarterly, based on such rate as published in *The Wall Street Journal* on the last business day of the month immediately preceding each quarter.

Notes payable in the Business-type Activities and the Enterprise Funds represent obligations to the State. The State issued General Obligation bonds on behalf of the Authority to provide funding for low-income housing loans. Proceeds from these bonds enabled the Authority to receive the savings from the Financing Adjustment Factor ("FAF") issues in advance.

Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 2.90% to 7.375% with maturities of such bonds up through October 1, 2036.

The Authority's Single Family Mortgage Revenue Bonds 2004 Series A is a total of \$60,000,000 issued in tranches. From September 2004 to May 2005, the Authority issued a total of \$44,825,721. Proceeds of the sales were used for making new qualified residential mortgage loans.

On May 18, 2005, the Authority issued \$60,000,000 of Single Family Mortgage Revenue Bonds, 2005 Series A. The proceeds of the sale are being used to make new qualified residential mortgage loans.

Interest Expense on Long-Term Debt

Interest expense of \$17,316,209 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single and Multi-Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Interest expense of \$168,871 was charged to the affordable rental housing function in the governmental activities. Interest expense of \$13,646,521 was charged to the home ownership function and \$3,500,817 was charged to the affordable rental housing function in the business-type activities.

3. Annual Requirements - Principal and Interest on Long-Term Debt

Annual principal and interest debt service requirements for governmental activity long-term debt are as follows:

The construction projects financed through the Construction Loan Fund with the FNMA/ACF note payable detailed above are expected to convert to permanent loans with financing through the HDF within the next year. Therefore, the June 30, 2005 principal balance of the note payable, \$2,236,233, is considered current. Based

on this principal and an interest rate in effect at the end of the year of 4.5% the estimated cost will be \$89,124.

Annual principal and interest debt service requirements for business-type activity long-term debt are as follows:

Multi-Family Programs Fund Note Payable Annual Debt Service Requirements

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------|-------------------|-------------------|
| 2006 | \$ 46,430 | \$ 23,128 | \$ 69,558 |
| 2007 | 45,984 | 20,992 | 66,976 |
| 2008 | 114,736 | 18,877 | 133,613 |
| 2009 | 72,234 | 13,599 | 85,833 |
| 2010 | 71,431 | 10,276 | 81,707 |
| 2011-2015 | 250,395 | 238,862 | 489,257 |
| Totals | <u>\$ 601,210</u> | <u>\$ 325,734</u> | <u>\$ 926,944</u> |

Mortgage Revenue Bonds Payable Annual Debt Service Requirement (based on scheduled maturities)

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-----------------------|-----------------------|-----------------------|
| 2006 | \$ 7,752,000 | \$ 14,501,347 | \$ 22,253,347 |
| 2007 | 8,470,000 | 14,132,916 | 22,602,916 |
| 2008 | 8,980,000 | 13,726,714 | 22,706,714 |
| 2009 | 9,420,000 | 13,286,530 | 22,706,530 |
| 2010 | 9,940,000 | 12,817,563 | 22,757,563 |
| 2011-2015 | 45,435,000 | 56,251,312 | 101,686,312 |
| 2016-2020 | 41,320,000 | 46,419,749 | 87,739,749 |
| 2021-2025 | 46,263,853 | 36,814,269 | 83,078,122 |
| 2026-2030 | 51,354,693 | 27,069,566 | 78,424,259 |
| 2031-2035 | 32,331,344 | 20,194,277 | 52,525,621 |
| 2036-2038 | 80,477,264 | 3,997,415 | 84,474,679 |
| Totals | <u>\$ 341,744,154</u> | <u>\$ 259,211,658</u> | <u>\$ 600,955,812</u> |

G. Segment information

The Authority maintains three major Enterprise Funds, each with a group of subfunds. Indentures for bonds reported in the Single Family and Multi-Family Programs Funds require that these programs be accounted for separately based on the General Resolutions for each grouping of bond issuances.

- The Single Family Programs Fund accounts for the Authority's single family mortgage program, which includes the Home Ownership Mortgage Revenue Bonds 1989 Series A and B and 1990 Series A; Home Mortgage Revenue Bonds 1991 Series A and B; Single Family Mortgage Revenue Bonds 1993 Series A and B; and the Single Family Mortgage Revenue Bonds 1994 Series A, 1995 Series A, 1997 Series A and B, 1999 Series A, 2000 Series A, 2001 Series A, 2002 Series A and B, 2003 Series A and B, 2004 Series

A, and 2005 Series A. The fund also accounts for the Authority's second mortgage program, which includes the Senior SMAL Revenue bonds, 1995 Series A, 1996 Series A, 1996 Series B, 1997 Series A, 1998 Series A and B, 1999 Series A, and 2001 Series A.

- The Multi-Family Programs Fund accounts for the Authority's multi-family mortgage program which includes the Multi-Family Mortgage Revenue Bond 1995 Series A and B. The Multi-Family Programs Fund also accounts for the refunding issues and related multi-family mortgages which includes the Mortgage Revenue Refunding Bonds 1992 Series C, the 1992 Series D and E, the 2001 Series A, and the FAF Reserves.

DELAWARE STATE HOUSING AUTHORITY
CONDENSED STATEMENT OF NET ASSETS - SINGLE FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2005

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A-2005A | SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM | TOTAL SINGLE FAMILY PROGRAM |
|---|--|---|--------------------------------------|
| Assets: | | | |
| Current assets other than interfund receivables | \$ 9,449,349 | \$ 1,772,341 | \$ 11,221,690 |
| Interfund receivables (current assets) | 181,842 | 202,581 | 384,423 |
| Non-current assets | 287,666,987 | 4,841,655 | 292,508,642 |
| Total assets | 297,298,178 | 6,816,577 | 304,114,755 |
| Liabilities: | | | |
| Current liabilities | 4,404,148 | - | 4,404,148 |
| Interfund payables (non- current liabilities) | 1,239,000 | - | 1,239,000 |
| Non-current liabilities other than interfund payables | 282,396,536 | 6,994,196 | 289,390,732 |
| Total liabilities | 288,039,684 | 6,994,196 | 295,033,880 |
| Net Assets, restricted | \$ 9,258,494 | \$ (177,619) | \$ 9,080,875 |

DELAWARE STATE HOUSING AUTHORITY
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
SINGLE FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2005

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A- 2005A | SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM | TOTAL |
|---|--|---|---------------|
| Operating revenues* | \$ 13,548,475 | \$ 427,854 | \$ 13,976,329 |
| Operating expenses: | | | |
| Interest expense on bonds | 13,215,697 | 430,824 | 13,646,521 |
| Other | 1,246,241 | 54,629 | 1,300,870 |
| Operating income(loss) | (913,463) | (57,599) | (971,062) |
| Non-operating revenues/(expenses): | | | |
| Interest income on investments | 2,216,888 | 19,394 | 2,236,282 |
| Other non-operating revenues/(expenses) | (260,467) | 47,344 | (213,123) |
| Transfers in/(out) | (727,960) | 18,469 | (709,491) |
| Change in net assets | 314,998 | 27,608 | 342,606 |
| Beginning net assets | 8,943,496 | (205,227) | 8,738,269 |
| Ending net assets | \$ 9,258,494 | \$ (177,619) | \$ 9,080,875 |

*Operating revenues consist primarily of interest income on loans.

DELAWARE STATE HOUSING AUTHORITY
CONDENSED STATEMENT OF CASH FLOWS - SINGLE FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2005

| | SINGLE FAMILY MORTGAGE REVENUE BONDS SERIES 1994A - 2005A | SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM | TOTAL |
|-------------------------------------|--|---|---------------|
| Net cash provided (used) by: | | | |
| Operating activities | \$ 16,914,249 | \$ 1,729,527 | \$ 18,643,776 |
| Noncapital financing activities | 32,148,543 | (1,900,609) | 30,247,934 |
| Investing activities | (49,053,076) | 163,059 | (48,890,017) |
| Net increase/(decrease) | 9,716 | (8,023) | 1,693 |
| Beginning cash and cash equivalents | 145,748 | 8,023 | 153,771 |
| Ending cash and cash equivalents | \$ 155,464 | \$ - | \$ 155,464 |

DELAWARE STATE HOUSING AUTHORITY
CONDENSED STATEMENT OF NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
JUNE 30, 2005

| | MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C | MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E | MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1995A & B | MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A | FAF RESERVES | TOTAL |
|--|---|---|---|---|-----------------|---------------|
| Assets: | | | | | | |
| Current assets | \$ 1,457,956 | \$ 2,589,620 | \$ 953,653 | \$ 2,324,007 | \$ 32,047 | \$ 7,357,283 |
| Non-current assets | 5,141,785 | 20,106,874 | 9,815,142 | 49,442,107 | - | 84,505,908 |
| Total assets | 6,599,741 | 22,696,494 | 10,768,795 | 51,766,114 | 32,047 | 91,863,191 |
| Liabilities: | | | | | | |
| Current liabilities other than interfund payables | 426,918 | 1,515,000 | 706,915 | 3,061,015 | 56,066 | 5,765,914 |
| Interfund payables (non- current liabilities) | - | - | - | 1,500,000 | - | 1,500,000 |
| Non-current liabilities | 4,988,523 | 15,806,676 | 8,212,959 | 36,133,714 | 554,780 | 65,696,652 |
| Total liabilities | 5,415,441 | 17,321,676 | 8,919,874 | 40,694,729 | 610,846 | 72,962,566 |
| Net assets, restricted | \$ 1,184,300 | \$ 5,374,818 | \$ 1,848,921 | \$ 11,071,385 | \$ (578,799) | \$ 18,900,625 |

DELAWARE STATE HOUSING AUTHORITY
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2005

| | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1995A & B | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A | FAF RESERVES | TOTAL |
|---|---|---|---|---|-----------------|---------------|
| Operating revenues* | \$ 486,091 | \$ 1,147,507 | \$ 574,605 | \$ 3,538,538 | \$ - | \$ 5,746,741 |
| Operating expenses: | | | | | | |
| Interest expense on bonds | 360,431 | 912,612 | 561,055 | 1,642,336 | 24,383 | 3,500,817 |
| Other | 8,452 | 86,871 | 53,065 | 258,307 | - | 406,695 |
| Operating income | 117,208 | 148,024 | (39,515) | 1,637,895 | (24,383) | 1,839,229 |
| Non-operating revenues/(expenses): | | | | | | |
| Interest income on investments | 87,782 | 434,569 | 161,191 | 668,403 | 86 | 1,352,031 |
| Other non-operating revenues/(expenses) | (61,773) | 80,535 | (33,394) | (1,025,125) | - | (1,039,757) |
| Transfers in/(out) | (15,000) | - | (49,526) | (50,000) | 74,423 | (40,103) |
| Changes in net assets | 128,217 | 663,128 | 38,756 | 1,231,173 | 50,126 | 2,111,400 |
| Beginning net assets | 1,056,083 | 4,711,690 | 1,810,165 | 9,840,212 | (628,925) | 16,789,225 |
| Ending net assets | \$ 1,184,300 | \$ 5,374,818 | \$ 1,848,921 | \$ 11,071,385 | \$ (578,799) | \$ 18,900,625 |

*Operating revenues consist primarily of interest income on loans.

DELAWARE STATE HOUSING AUTHORITY
CONDENSED STATEMENT OF CASH FLOWS - MULTI-FAMILY PROGRAMS FUND SEGMENTS
FOR THE YEAR ENDED JUNE 30, 2005

| | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E | MULTI-FAMILY MORTGAGE REVENUE BOND SERIES 1995A & B | MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A | FAF RESERVES | TOTAL |
|-------------------------------------|---|---|--|---|-----------------|---------------|
| Net cash provided (used) by: | | | | | | |
| Operating activities | \$ 662,493 | \$2,822,006 | \$ 994,164 | \$ 9,420,942 | \$ - | \$ 13,899,605 |
| Noncapital financing activities | (950,692) | (2,309,933) | (1,281,891) | (9,445,974) | 22,067 | (13,966,423) |
| Investing activities | 288,199 | (512,073) | 287,727 | 25,032 | (22,067) | 66,818 |
| Net increase/(decrease) | - | - | - | - | - | - |
| Beginning cash and cash equivalents | - | - | - | - | - | - |
| Ending cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

V. OTHER INFORMATION

A. Risk management

The Authority is exposed to various risks of loss related to workers' compensation, non-state employee health care and accident, automobile, and property and casualty claims. The latter discussion of post-retirement health care benefits defines state and non-state employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

For its State employee health care and accident insurance coverage, the Authority is a participant in the State of Delaware's risk management program which covers all claim settlements and judgements out of its General Fund. The Authority pays a semi-monthly premium to the State for this health and accident insurance coverage. The State's General Fund is considered a self-sustaining risk pool that will provide coverage for its members with an unlimited lifetime benefit per individual for all covered health care benefits received under a plan offered by the State.

B. Related party transactions

The Authority has created several related nonprofit corporations for the purposes of providing low income housing and loan assistance. These nonprofit entities, which it manages, are separate from the Authority for both legal and accounting purposes. However, most of the current boards are comprised of Authority employees.

Outstanding mortgage loan receivables as of June 30, 2005 with such organizations total \$3,931,007. Outstanding Housing Development Fund loans as of June 30, 2005, are \$535,469. Fees for management services (indirect costs) totaled \$126,090 for the fiscal year.

C. Economic dependency

During the year ended June 30, 2005, the Authority's business-type activities received 62 percent of its revenue from the U.S. Department of Housing and Urban Development (HUD).

D. Post-retirement health care benefits

State Employees

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits.

The State provides post-retirement health care benefits, in accordance with the State statutes, to all State employees of the Authority who retire from the State after meeting the eligibility requirements. Please refer to the State Comprehensive Annual Financial Report (CAFR) for post-retirement health care benefits. A copy of the CAFR may be obtained by writing to The State of Delaware, Department of Finance, Division of Accounting, 540 S DuPont Highway, Suite 3, Dover, DE 19901 or by calling 1-302-744-1035.

Non-State Employees

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits.

The Authority provides post-retirement health care benefits in accordance with Authority General

Order Number 325, to all non-state employees who retire from the Authority and meet the eligibility requirements. Currently, five retirees meet the eligibility requirements. Health care benefits paid during fiscal 2005 totaled \$35,386. The set aside balance, which is held in the State of Delaware investment pool, was \$204,724 in the governmental activities and the General Fund as of June 30, 2005. The Authority decided for fiscal 2005 the current set aside balance was sufficient and did not set aside additional funds.

E. Pension plans

State Employees

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits.

1. Plan Description - All State employees of the Authority (38) are covered by the State of Delaware Employees' Pension Plan which is a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible State employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time or regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 62 with at least five years of credited service, at age 60 with at least 15 years of credited service, or at any age after 30 years of credited service. Monthly benefits equal final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997 plus final average monthly compensation multiplied by 1.85% and multiplied by credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.

Pension provisions include survivor's benefits, whereby the employee must have been receiving a pension or have been an active employee with five years of credited services. Eligible survivors receive 50% of the pension the employee would have received at age 62. Additionally, the plan provides for monthly disability provisions which are the same as the pension benefit. The employee must have five years of credited service subject to limitations. The plan's death benefit is \$7,000 per member.

The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, DE 19904, or by calling 1-800-722-7300.

2. Funding Policy - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000 plus 2% of earnings that exceed the Social Security Wage Base (\$90,000 in calendar 2005 and \$89,500 in calendar 2004). Additionally, for the year ended June 30, 2005, the Authority was required to contribute 13.25% of covered payroll to the plan.

The Authority's contribution to the State PERS for the year ended June 30, 2005 was \$246,165, equal to the required contribution for the year. The Authority's contributions to the State PERS for the years ended June 30, 2004 and June 30, 2003 were \$213,631 and \$181,215, respectively, equal to the required contribution for each year.

Non-State Employees

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits.

1. Plan Description - Full-time non-state employees (90) are covered by the Housing-Renewal and Local Agency Retirement Plan. The Administrator of the plan is William M. Mercer, Incorporated.

The Authority establishes and amends contributions through a General Order which is approved by the Authority's Director. The Plan shall be construed, regulated, and administered according to the laws of the State of Tennessee, where the plan is incorporated, except those areas preempted by the laws of the United States of America.

The Housing-Renewal and Local Agency Retirement Plan provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 65 with at least five years of credited service, or the date on which the employee completes ten (10) years of combined participation in this Plan and their prior plan, if any. The employee is entitled to the full value of their account as of the date of retirement.

2. Funding Policy - This defined contribution plan is funded by contributions from both the employees covered and the Authority. Non-State employees of the Authority are required to contribute 3.5% of their basic salary. The Authority's contribution rate was 13.25% of covered payroll for the fiscal year ended June 30, 2005.

The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the year ended June 30, 2005 was \$365,861 equal to the required contribution for the year. The Authority's contributions to the plan for the years ended June 30, 2004 and June 30, 2003 were \$289,416 and \$226,060, respectively, equal to the required contributions for each year.

F. Restatement of prior year fund balance and net assets

The beginning fund balance/net assets as of July 1, 2003, have been restated for the following prior-period adjustments:

| | Multi-family Programs Enterprise Fund | Business- Type Activities | Total Entity- Wide Statement of Net Assets |
|---|--|---------------------------------|---|
| Beginning fund balance/net assets, July 1, 2003 | \$ 13,765,398 | \$80,650,268 | \$ 223,074,299 |
| Multi-family Program loan modification to increase borrower's cash flow and assist with capital improvements | (529,988) | (529,988) | (529,988) |
| Beginning fund balance/net assets, July 1, 2003, restated | <u>\$ 13,235,410</u> | <u>\$80,120,280</u> | <u>\$ 222,544,311</u> |

The beginning fund balance/net assets as of July 1, 2004, have been restated for the following prior-period adjustments:

| | Multi-Family Programs Enterprise Fund | Business- Type Activities | Total Entity- Wide Statement of Net Assets |
|---|--|---------------------------------|--|
| Beginning fund balance/net assets, July 1, 2004 | \$ 16,853,942 | \$72,835,678 | \$ 228,998,304 |
| Multi-family Program loan modification to increase borrower's cash flow and assist with capital improvements | (64,717) | (64,717) | (64,717) |
| Beginning fund balance/net assets, July 1, 2004, restated | <u>\$ 16,789,225</u> | <u>\$ 72,770,961</u> | <u>\$ 228,933,587</u> |

G. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

DELAWARE STATE HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>BUDGETED AMOUNTS</u> | | | <u>OVER(UNDER)</u> |
|--|-------------------------|----------------------|---------------------|---------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| REVENUES | | | | |
| Interest income on investments | \$ - | \$ - | \$ 592,503 | \$ 592,503 |
| Gain/(loss) on investments | - | - | (131,626) | (131,626) |
| Fees | - | - | 1,316,420 | 1,316,420 |
| Other revenues | - | - | 1,517,370 | 1,517,370 |
| Total revenues | - | - | 3,294,667 | 3,294,667 |
| EXPENDITURES (BY APPROPRIATION) | | | | |
| Salary and other employment costs | 2,505,800 | 2,475,800 | 2,209,946 | (265,854) |
| Travel | 99,500 | 119,500 | 106,397 | (13,103) |
| Contractual services | 988,000 | 988,000 | 865,017 | (122,983) |
| Energy | 60,000 | 70,000 | 55,297 | (14,703) |
| Supplies and materials | 99,500 | 99,500 | 84,045 | (15,455) |
| Total expenditures | 3,752,800 | 3,752,800 | 3,320,702 | (432,098) |
| EXCESS OF EXPENDITURES OVER REVENUES | | <u>\$(3,752,800)</u> | <u>(26,035)</u> | <u>\$ 3,726,765</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Authority expenditures not required to be budgeted above | | | (2,610,978) | |
| Operating transfers in | | | <u>4,968,912</u> | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | | | 2,331,899 | |
| RECONCILING ITEMS BETWEEN BUDGETARY AND GAAP BASIS | | | | |
| (Increase)/decrease in other assets | | | (1,198) | |
| Increase/(decrease) in payables | | | <u>26,832</u> | |
| REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES | | | <u>\$ 2,357,533</u> | |
| Net change in fund balance from Statement of Revenues, Expenses, and Changes in Fund Balance | | | <u>\$ 2,357,533</u> | |

The General Fund budget is prepared on the cash basis of accounting.

There is no budget for the Housing Development Fund which is a major Special Revenue Fund.

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DELAWARE STATE HOUSING AUTHORITY
OTHER SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF ACTIVITIES - ENTITY-WIDE
FOR THE YEAR ENDED JUNE 30, 2005

| | |
|----------|---------------|
| Expenses | \$ 71,040,045 |
|----------|---------------|

Program Revenue:

| | |
|---------------------|------------|
| Charges for service | 30,299,081 |
|---------------------|------------|

| | |
|------------------------------------|------------|
| Operating grants and contributions | 47,537,836 |
|------------------------------------|------------|

| | |
|----------------------------------|----------------|
| Capital grants and contributions | <u>497,586</u> |
|----------------------------------|----------------|

| | |
|-----------------------|-----------|
| Net (expense) revenue | 7,294,458 |
|-----------------------|-----------|

General Revenue:

| | |
|---------------------|------------------|
| Investment earnings | <u>4,631,940</u> |
|---------------------|------------------|

| | |
|------------------------|-----------|
| Total general revenues | 4,631,940 |
|------------------------|-----------|

| | |
|----------------------|------------|
| Change in net assets | 11,926,398 |
|----------------------|------------|

| | |
|--------------------------------|--------------------|
| Net assets - beginning of year | <u>228,933,587</u> |
|--------------------------------|--------------------|

| | |
|--------------------------|------------------------------|
| Net assets - end of year | <u><u>\$ 240,859,985</u></u> |
|--------------------------|------------------------------|

DELAWARE STATE HOUSING AUTHORITY
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

| | DELAWARE HOUSING INSURANCE FUND | NEIGHBORHOOD REVITALIZATION FUND | CONSTRUCTION LOAN FUND | SMAL PROGRAM |
|--|--|--|------------------------------|---------------------|
| ASSETS | | | | |
| Investments | \$ 74,842 | \$ 1,476,674 | \$ 1,034 | \$ 1,982,640 |
| Interfund receivables | - | - | - | - |
| Loans receivables: | | | | |
| Mortgages receivable | 33,192 | 64,934 | 2,236,233 | 2,767,275 |
| Interfund | 1,500,000 | - | - | - |
| Accrued interest & other receivable | - | 4,414 | - | 1,200,273 |
| TOTAL ASSETS | \$ 1,608,034 | \$ 1,546,022 | \$ 2,237,267 | \$ 5,950,188 |
| LIABILITIES & FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 59,843 | \$ - | \$ - |
| Interfund payables | - | - | 34 | 202,608 |
| Escrow deposits | - | - | - | - |
| Interfund loans payable | - | - | - | 3,025,000 |
| Total Liabilities | - | 59,843 | 34 | 3,227,608 |
| Fund Balances: | | | | |
| Reserved for long term loans receivable | 1,533,192 | 64,934 | - | 2,767,275 |
| Unreserved | 74,842 | 1,421,245 | 2,237,233 | (44,695) |
| Total Fund Balances | 1,608,034 | 1,486,179 | 2,237,233 | 2,722,580 |
| TOTAL LIABILITIES & FUND BALANCES | \$ 1,608,034 | \$ 1,546,022 | \$ 2,237,267 | \$ 5,950,188 |

| <u>NORTHEAST INITIATIVE</u> | <u>HOUSING REHABILITATION LOAN PROGRAM</u> | <u>AUTHORITY LOAN PROGRAM</u> | <u>LIVE NEAR YOUR WORK PROGRAM</u> | <u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u> |
|---------------------------------|--|---------------------------------------|--|---|
| \$ - | \$ 866,024 | \$ 79,440 | \$ 91,000 | \$ 4,571,654 |
| - | - | 58,101 | - | 58,101 |
| 2,477,641 | 3,345,512 | 10,422,337 | - | 21,347,124 |
| - | - | - | - | 1,500,000 |
| - | 28,101 | 336,083 | - | 1,568,871 |
| <u>\$ 2,477,641</u> | <u>\$ 4,239,637</u> | <u>\$ 10,895,961</u> | <u>\$ 91,000</u> | <u>\$ 29,045,750</u> |
| \$ - | \$ - | \$ - | \$ 2,000 | \$ 61,843 |
| - | - | - | - | 202,642 |
| - | - | 79,887 | - | 79,887 |
| 2,475,333 | 2,475,991 | - | 89,000 | 8,065,324 |
| 2,475,333 | 2,475,991 | 79,887 | 91,000 | 8,409,696 |
| 2,477,641 | 2,756,315 | 9,823,961 | - | 19,423,318 |
| (2,475,333) | (992,669) | 992,113 | - | 1,212,736 |
| 2,308 | 1,763,646 | 10,816,074 | - | 20,636,054 |
| <u>\$ 2,477,641</u> | <u>\$ 4,239,637</u> | <u>\$ 10,895,961</u> | <u>\$ 91,000</u> | <u>\$ 29,045,750</u> |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

| | DELAWARE HOUSING INSURANCE FUND | NEIGHBORHOOD REVITALIZATION FUND | CONSTRUCTION LOAN FUND | SMAL PROGRAM |
|--|--|--|------------------------------|-----------------|
| REVENUES | | | | |
| Interest income: | | | | |
| Investments | \$ 1,111 | \$ 5,713 | \$ - | \$ 28,294 |
| Loans | - | 1,988 | - | 237,836 |
| Total interest income | 1,111 | 7,701 | - | 266,130 |
| Grants & government appropriations | - | - | - | - |
| Other revenue | - | 594 | - | 5,000 |
| Total revenue | 1,111 | 8,295 | - | 271,130 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Home ownership | - | - | - | 171,945 |
| Housing rehabilitation | - | 727,616 | - | - |
| Debt service | - | - | 6,341,015 | - |
| Total expenditures | - | 727,616 | 6,341,015 | 171,945 |
| Excess/(deficit) revenue over expenses | 1,111 | (719,321) | (6,341,015) | 99,185 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (18,469) | - | - | - |
| Face amount of debt issued | - | - | 3,946,873 | - |
| Total other financing sources & (uses) | (18,469) | - | 3,946,873 | - |
| Net change in fund balances | (17,358) | (719,321) | (2,394,142) | 99,185 |
| Fund balances beginning, restated | 1,625,392 | 2,205,500 | 4,631,375 | 2,623,395 |
| Fund balances ending | \$ 1,608,034 | \$ 1,486,179 | \$ 2,237,233 | \$ 2,722,580 |

| <u>NORTHEAST INITIATIVE</u> | <u>HOUSING REHABILITATION LOAN PROGRAM</u> | <u>AUTHORITY LOAN PROGRAM</u> | <u>LIVE NEAR YOUR WORK PROGRAM</u> | <u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u> |
|---------------------------------|--|---------------------------------------|--|---|
| \$ - | \$ 12,185 | \$ 2 | \$ - | \$ 47,305 |
| - | 109,540 | 1,029,349 | - | 1,378,713 |
| - | 121,725 | 1,029,351 | - | 1,426,018 |
| 178,216 | - | - | 11,000 | 189,216 |
| - | - | - | - | 5,594 |
| 178,216 | 121,725 | 1,029,351 | 11,000 | 1,620,828 |
| - | - | 24,931 | 10,000 | 206,876 |
| (2,308) | (20,208) | - | - | 705,100 |
| - | - | - | - | 6,341,015 |
| (2,308) | (20,208) | 24,931 | 10,000 | 7,252,991 |
| 180,524 | 141,933 | 1,004,420 | 1,000 | (5,632,163) |
| - | - | 765,123 | - | 765,123 |
| - | - | (5,040,972) | - | (5,059,441) |
| - | - | - | - | 3,946,873 |
| - | - | (4,275,849) | - | (347,445) |
| 180,524 | 141,933 | (3,271,429) | 1,000 | (5,979,608) |
| (178,216) | 1,621,713 | 14,087,503 | (1,000) | 26,615,662 |
| \$ 2,308 | \$ 1,763,646 | \$ 10,816,074 | \$ - | \$ 20,636,054 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
JUNE 30, 2005

| | <u>PUBLIC HOUSING PROGRAM</u> | <u>SECTION 8 PROGRAM</u> | <u>COMMUNITY DEVELOPMENT PROGRAM</u> | <u>HOME PROGRAM</u> |
|---|---------------------------------------|------------------------------|--|-----------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Investments | \$ 2,708,921 | \$ 840,029 | \$ 1,303 | \$ 297,112 |
| Accrued interest and other receivables | 37,968 | 78,964 | - | 529,692 |
| Grants receivable - US Dept of HUD | - | 46,413 | 11,989 | 15,513 |
| Interfund receivables | 21,591 | - | 20,536 | - |
| Prepaid expenses | 2,981 | 1,909,563 | - | - |
| Total current assets | <u>2,771,461</u> | <u>2,874,969</u> | <u>33,828</u> | <u>842,317</u> |
| Non-Current Assets: | | | | |
| Investments | - | - | - | 242,491 |
| Mortgages receivable, net | - | - | - | 22,960,963 |
| Accrued interest and other receivables, net | - | - | - | 2,980,365 |
| Capital assets not being depreciated | 3,185,178 | 2,391,161 | - | - |
| Capital assets net of accumulated depreciation | 13,123,699 | 1,133,756 | - | - |
| Total non-current assets | <u>16,308,877</u> | <u>3,524,917</u> | <u>-</u> | <u>26,183,819</u> |
| TOTAL ASSETS | <u>\$ 19,080,338</u> | <u>\$ 6,399,886</u> | <u>\$ 33,828</u> | <u>\$ 27,026,136</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 289,286 | \$ 2,120,679 | \$ 15,357 | \$ 552,553 |
| Due State of Delaware-pension costs | 375 | 380 | 216 | 272 |
| Interfund payables | - | 19,473 | - | - |
| Compensated absences payable | 1,743 | - | 1,754 | - |
| Total current liabilities | <u>291,404</u> | <u>2,140,532</u> | <u>17,327</u> | <u>552,825</u> |
| Non-Current Liabilities: | | | | |
| Compensated absences payable | 133,430 | 18,080 | 16,501 | 18,290 |
| Escrow deposits | 492,298 | 458,281 | - | 242,491 |
| Interfund loans payable | 539,400 | - | - | - |
| Total non-current liabilities | <u>1,165,128</u> | <u>476,361</u> | <u>16,501</u> | <u>260,781</u> |
| Total Liabilities | <u>1,456,532</u> | <u>2,616,893</u> | <u>33,828</u> | <u>813,606</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 16,308,877 | 3,524,916 | - | - |
| Restricted by federal regulations | 1,314,929 | 258,077 | - | 26,212,530 |
| Total net assets | <u>17,623,806</u> | <u>3,782,993</u> | <u>-</u> | <u>26,212,530</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 19,080,338</u> | <u>\$ 6,399,886</u> | <u>\$ 33,828</u> | <u>\$ 27,026,136</u> |

| <u>HOUSING NEEDS RESERVE</u> | <u>SECTION 8 CONTRACT ADMINISTRATION</u> | <u>SWAT-ROSS GRANT PROGRAM</u> | <u>TOTAL FEDERAL PROGRAMS</u> |
|--------------------------------------|--|--|---------------------------------------|
| \$ 39,789 | \$ 64,622 | \$ 1,015 | \$ 3,952,791 |
| - | - | - | 646,624 |
| - | 81,399 | - | 155,314 |
| - | - | - | 42,127 |
| - | 733,175 | - | 2,645,719 |
| 39,789 | 879,196 | 1,015 | 7,442,575 |
| - | - | - | 242,491 |
| - | - | - | 22,960,963 |
| 88,000 | - | - | 3,068,365 |
| 46,000 | - | - | 5,622,339 |
| 296,028 | - | - | 14,553,483 |
| 430,028 | - | - | 46,447,641 |
| \$ 469,817 | \$ 879,196 | \$ 1,015 | \$ 53,890,216 |
| \$ - | \$ 768,557 | \$ - | \$ 3,746,432 |
| - | - | - | 1,243 |
| - | - | 1,000 | 20,473 |
| - | - | - | 3,497 |
| - | 768,557 | 1,000 | 3,771,645 |
| - | 8,616 | - | 194,917 |
| - | - | - | 1,193,070 |
| - | - | - | 539,400 |
| - | 8,616 | - | 1,927,387 |
| - | 777,173 | 1,000 | 5,699,032 |
| 342,028 | - | - | 20,175,821 |
| 127,789 | 102,023 | 15 | 28,015,363 |
| 469,817 | 102,023 | 15 | 48,191,184 |
| \$ 469,817 | \$ 879,196 | \$ 1,015 | \$ 53,890,216 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>PUBLIC HOUSING PROGRAM</u> | <u>SECTION 8 PROGRAMS</u> | <u>COMMUNITY DEVELOPMENT PROGRAM</u> | <u>HOME PROGRAM</u> |
|--|---------------------------------------|-------------------------------|--|-------------------------|
| Operating revenues: | | | | |
| Interest income on loans | \$ - | \$ - | \$ - | \$ 569,792 |
| Federal housing program grants | 2,094,772 | 24,639,614 | 2,491,469 | 1,484,637 |
| Rental income | 465,213 | - | - | - |
| Miscellaneous | 187,981 | 93,482 | 2,578 | 43,386 |
| Total operating revenues | <u>2,747,966</u> | <u>24,733,096</u> | <u>2,494,047</u> | <u>2,097,815</u> |
| Operating expenses: | | | | |
| Administrative | 1,862,433 | 818,052 | 153,190 | 335,539 |
| Grants and housing assistance payments | 73 | 23,385,533 | 2,340,857 | 451,378 |
| Public housing maintenance & utilities | 686,183 | 401,625 | - | - |
| Depreciation | 1,119,462 | 73,899 | - | - |
| Total operating expenses | <u>3,668,151</u> | <u>24,679,109</u> | <u>2,494,047</u> | <u>786,917</u> |
| Operating income/(loss) | <u>(920,185)</u> | <u>53,987</u> | <u>-</u> | <u>1,310,898</u> |
| Non-operating revenue/(expenses): | | | | |
| Interest income on investments | 31,617 | 35,101 | - | 2,259 |
| Total non-operating revenue/(expenses) | <u>31,617</u> | <u>35,101</u> | <u>-</u> | <u>2,259</u> |
| Income/(loss) before contributions and transfers | (888,568) | 89,088 | - | 1,313,157 |
| Capital grants and contributions | 497,586 | - | - | - |
| Transfers in | 2,625 | - | - | - |
| Transfers out | (2,625) | - | - | - |
| Net income/(loss) | <u>(390,982)</u> | <u>89,088</u> | <u>-</u> | <u>1,313,157</u> |
| Total net assets - beginning, (as restated, see note V.F.) | 18,014,788 | 3,693,905 | - | 24,899,373 |
| Total net assets - ending | <u>\$ 17,623,806</u> | <u>\$ 3,782,993</u> | <u>\$ -</u> | <u>\$ 26,212,530</u> |

| <u>HOUSING NEEDS RESERVE</u> | <u>SECTION 8 CONTRACT ADMINISTRATION</u> | <u>SWAT -ROSS GRANT PROGRAM</u> | <u>TOTAL FEDERAL PROGRAMS</u> |
|--------------------------------------|--|---|---------------------------------------|
| \$ - | \$ - | \$ - | \$ 569,792 |
| - | 9,051,128 | - | 39,761,620 |
| - | - | - | 465,213 |
| - | - | 86,283 | 413,710 |
| - | 9,051,128 | 86,283 | 41,210,335 |
| - | 400,732 | 86,283 | 3,656,229 |
| - | 8,696,501 | - | 34,874,342 |
| - | - | - | 1,087,808 |
| 18,166 | - | - | 1,211,527 |
| 18,166 | 9,097,233 | 86,283 | 40,829,906 |
| (18,166) | (46,105) | - | 380,429 |
| 719 | - | 6 | 69,702 |
| 719 | - | 6 | 69,702 |
| (17,447) | (46,105) | 6 | 450,131 |
| - | - | - | 497,586 |
| - | - | - | 2,625 |
| - | - | - | (2,625) |
| (17,447) | (46,105) | 6 | 947,717 |
| 487,264 | 148,128 | 9 | 47,243,467 |
| \$ 469,817 | \$ 102,023 | \$ 15 | \$ 48,191,184 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2005

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A - 2005A | SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|---|---|--|---------------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalent | \$ 155,464 | \$ - | \$ 155,464 |
| Investments | 1,343,765 | 76,856 | 1,420,621 |
| Mortgages receivable, net | 5,466,434 | - | 5,466,434 |
| Accrued interest and other receivables | 2,221,752 | 1,687,760 | 3,909,512 |
| Interfund receivables | 181,842 | 202,581 | 384,423 |
| Deferred bond issuance costs | 261,934 | 7,725 | 269,659 |
| Total current assets | 9,631,191 | 1,974,922 | 11,606,113 |
| Non-Current Assets: | | | |
| Investments | 79,335,186 | 151,862 | 79,487,048 |
| Mortgages receivable, net | 204,381,568 | 4,574,280 | 208,955,848 |
| Deferred bond issuance costs | 3,950,233 | 115,513 | 4,065,746 |
| Total non-current assets | 287,666,987 | 4,841,655 | 292,508,642 |
| TOTAL ASSETS | \$ 297,298,178 | \$ 6,816,577 | \$ 304,114,755 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 32,564 | \$ - | \$ 32,564 |
| Accrued arbitrage rebate payable | 778,674 | - | 778,674 |
| Accrued interest payable | 366,881 | - | 366,881 |
| Nonrefundable deferred commitment fees | 134,169 | - | 134,169 |
| Revenue bonds payable | 3,091,860 | - | 3,091,860 |
| Total current liabilities | 4,404,148 | - | 4,404,148 |
| Non-Current Liabilities: | | | |
| Accrued arbitrage rebate payable | 438,591 | - | 438,592 |
| Nonrefundable deferred commitment fees | 1,781,085 | - | 1,781,085 |
| Interfund loan payable | 1,239,000 | - | 1,239,000 |
| Revenue bonds payable | 280,176,860 | 6,994,196 | 287,171,055 |
| Total non-current liabilities | 283,635,536 | 6,994,196 | 290,629,732 |
| Total Liabilities | 288,039,684 | 6,994,196 | 295,033,880 |
| NET ASSETS | | | |
| Restricted by bond covenants | 9,258,494 | (177,619) | 9,080,875 |
| Total net assets | 9,258,494 | (177,619) | 9,080,875 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 297,298,178 | \$ 6,816,577 | \$ 304,114,755 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2005

| | SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A - 2005A | SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM | TOTAL SINGLE FAMILY PROGRAMS |
|---|---|--|------------------------------------|
| Operating revenues: | | | |
| Interest income on loans | \$ 12,786,293 | \$ 389,459 | \$ 13,175,752 |
| Amortization of deferred revenues | 757,187 | - | 757,187 |
| Miscellaneous | 4,995 | 38,395 | 43,390 |
| Total operating revenues | 13,548,475 | 427,854 | 13,976,329 |
| Operating expenses: | | | |
| Interest expense on bonds | 13,215,697 | 430,824 | 13,646,521 |
| Administrative | 3,093 | - | 3,093 |
| Deferred bond issuance costs | 743,415 | 20,385 | 763,800 |
| Loan servicing fees | 336,047 | 139 | 336,186 |
| Other expenses | 163,686 | 34,105 | 197,791 |
| Total operating expenses | 14,461,938 | 485,453 | 14,947,391 |
| Operating income/(loss) | (913,463) | (57,599) | (971,062) |
| Non-operating revenue/(expenses): | | | |
| Interest income on investments | 2,216,888 | 19,394 | 2,236,282 |
| Net increase/(decrease) fair value investments | (2,347) | 47,344 | 44,997 |
| Rebate expense | (258,120) | - | (258,120) |
| Total non-operating revenue/(expenses) | 1,956,421 | 66,738 | 2,023,159 |
| Income/(loss) before contributions and transfers | 1,042,958 | 9,139 | 1,052,097 |
| Transfers in | 1,631,896 | 28,895 | 295,597* |
| Transfers out | (2,359,856) | (10,426) | (1,005,088)* |
| Net income/(loss) | 314,998 | 27,608 | 342,606 |
| Total net assets - beginning (as restated, See note V.F.) | 8,943,496 | (205,227) | 8,738,269 |
| Total net assets - ending | \$ 9,258,494 | \$ (177,619) | \$ 9,080,875 |

*The transfers in and out have been reduced by \$1,365,194 for transfers between subfunds in the Single Family Program Fund.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF NET ASSETS - PROPRIETARY FUND -SUBFUNDS OF THE MULTI-FAMILY PROGRAMS
ENTERPRISE FUND
JUNE 30, 2005

| | MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C | MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D & E | MULTI-FAMILY MORTGAGE REVENUE SERIES 1995A & B |
|--|---|---|--|
| ASSETS | | | |
| Current Assets: | | | |
| Investments | \$ 1,141,750 | \$ 1,203,543 | \$ 100,231 |
| Mortgages receivable, net | 265,186 | 1,092,838 | 587,995 |
| Accrued interest and other receivables | 44,542 | 270,108 | 238,812 |
| Deferred bond issuance costs | 6,478 | 23,131 | 26,615 |
| Total current assets | 1,457,956 | 2,589,620 | 953,653 |
| Non-Current Assets: | | | |
| Investments | 1,332,352 | 11,304,690 | 2,731,434 |
| Mortgages receivable, net | 3,778,981 | 8,727,986 | 6,915,218 |
| Deferred bond issuance costs | 30,452 | 74,198 | 168,490 |
| Total non-current assets | 5,141,785 | 20,106,874 | 9,815,142 |
| Total assets | \$ 6,599,741 | \$ 22,696,494 | \$ 10,768,795 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 131,918 | \$ - | \$ 4,043 |
| Accrued interest payable | - | - | 88,715 |
| Notes payable | - | - | - |
| Revenue bonds payable | 295,000 | 1,515,000 | 614,157 |
| Total current liabilities | 426,918 | 1,515,000 | 706,915 |
| Non-Current Liabilities: | | | |
| Accrued arbitrage rebate payable | - | - | 15,650 |
| Escrow deposits | 523,523 | 5,446,676 | 733,921 |
| Interfund loan payable | - | - | - |
| Notes payable | - | - | - |
| Revenue bonds payable | 4,465,000 | 10,360,000 | 7,463,388 |
| Total non-current liabilities | 4,988,523 | 15,806,676 | 8,212,959 |
| Total Liabilities | 5,415,441 | 17,321,676 | 8,919,874 |
| NET ASSETS | | | |
| Restricted (deficit) by bond covenants | 1,184,300 | 5,374,818 | 1,848,921 |
| Total net assets | 1,184,300 | 5,374,818 | 1,848,921 |
| Total Liabilities and Net Assets | \$ 6,599,741 | \$ 22,696,494 | \$ 10,768,795 |

| MULTI- FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A | FAF RESERVES | TOTAL MULTI- FAMILY PROGRAMS |
|---|-----------------|---------------------------------------|
| \$ 247,993 | \$ 32,047 | \$ 2,725,564 |
| 1,723,845 | - | 3,669,864 |
| 299,318 | - | 852,780 |
| 52,851 | - | 109,075 |
| 2,324,007 | 32,047 | 7,357,283 |
| 20,897,769 | - | 36,266,245 |
| 28,264,470 | - | 47,686,655 |
| 279,868 | - | 553,008 |
| 49,442,107 | - | 84,505,908 |
| \$ 51,766,114 | \$ 32,047 | \$ 91,863,191 |
| \$ 825,032 | \$ - | \$ 960,993 |
| - | 9,636 | 98,351 |
| - | 46,430 | 46,430 |
| 2,235,983 | - | 4,660,140 |
| 3,061,015 | 56,066 | 5,765,914 |
| 60,580 | - | 76,230 |
| 11,540,423 | - | 18,244,543 |
| 1,500,000 | - | 1,500,000 |
| - | 554,780 | 554,780 |
| 24,532,711 | - | 46,821,099 |
| 37,633,714 | 554,780 | 67,196,652 |
| 40,694,729 | 610,846 | 72,962,566 |
| 11,071,385 | (578,799) | 18,900,625 |
| 11,071,385 | (578,799) | 18,900,625 |
| \$ 51,766,114 | \$ 32,047 | \$ 91,863,191 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2005

| | MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C | MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D & E | MULTI-FAMILY MORTGAGE REVENUE SERIES 1995A & B |
|--|---|---|--|
| Operating revenues: | | | |
| Interest income on loans | \$ 486,091 | \$ 836,898 | \$ 574,605 |
| Miscellaneous | - | 310,609 | - |
| Total operating revenues | 486,091 | 1,147,507 | 574,605 |
| Operating expenses: | | | |
| Interest expense on bonds | 360,431 | 912,612 | 561,055 |
| Amortization of deferred bond issuance costs | 6,882 | 25,844 | 29,083 |
| Loan servicing fees | - | 53,317 | - |
| Other expenses | 1,570 | 7,710 | 23,982 |
| Total operating expenses | 368,883 | 999,483 | 614,120 |
| Operating income/(loss) | 117,208 | 148,024 | (39,515) |
| Non-operating revenues/(expenses): | | | |
| Interest income on investments | 87,782 | 434,569 | 161,191 |
| Net increase/(decrease) fair value of investments | (9,373) | 80,535 | (5,533) |
| US Dept of HUD financing adjustment factor expense | (52,400) | - | - |
| Rebate expense | - | - | (27,861) |
| Excess yield expense | - | - | - |
| Total non-operating revenue/(expenses) | 26,009 | 515,104 | 127,797 |
| Income/(loss) before contributions and transfers | 143,217 | 663,128 | 88,282 |
| Transfers in | 15,000 | - | - |
| Transfers out | (30,000) | - | (49,526) |
| Net income/(loss) | 128,217 | 663,128 | 38,756 |
| Total net assets - beginning, (as restated, See note V.F.) | 1,056,083 | 4,711,690 | 1,810,165 |
| Total net assets - ending | \$ 1,184,300 | \$ 5,374,818 | \$ 1,848,921 |

*The transfers in and out have been reduced by \$65,000 for transfers between subfunds in the Multi-Family Program Fund.

| MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A | FAF RESERVES | TOTAL MULTI-FAMILY PROGRAMS |
|---|--------------|-----------------------------------|
| \$ 3,428,099 | \$ - | \$ 5,325,693 |
| 110,439 | - | 421,048 |
| 3,538,538 | - | 5,746,741 |
| 1,642,336 | 24,383 | 3,500,817 |
| 250,597 | - | 312,406 |
| - | - | 53,317 |
| 7,710 | - | 40,972 |
| 1,900,643 | 24,383 | 3,907,512 |
| 1,637,895 | (24,383) | 1,839,229 |
| 668,403 | 86 | 1,352,031 |
| (61) | - | 65,568 |
| (285,949) | - | (338,349) |
| (27,445) | - | (55,306) |
| (711,670) | - | (711,670) |
| (356,722) | 86 | 312,274 |
| 1,281,173 | (24,297) | 2,151,503 |
| - | 74,423 | 24,423* |
| (50,000) | - | (64,526)* |
| 1,231,173 | 50,126 | 2,111,400 |
| 9,840,212 | (628,925) | 16,789,225 |
| \$ 11,071,385 | \$ (578,799) | \$ 18,900,625 |

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2005

The details of and changes in the Authority's mortgage revenue bonds during the year ended June 30, 2005 are as follows:

| Bond Issue | Interest Rates | Final Maturity Date | Bonds Outstanding June 30, 2004 | Issued | Matured | Called | Other | Bonds Outstanding June 30, 2005 |
|--|----------------|---------------------|---------------------------------|------------|------------|--------------|-----------|---------------------------------|
| Single Family Mortgage Revenue Bonds 1994 Series A | 5.90% - 6.75% | 2025 | \$ 8,069,649 | - | \$ 215,000 | \$ 1,930,000 | \$ 63,805 | \$ 5,988,454 |
| Single Family Mortgage Revenue Bonds 1995 Series A | 5.75% - 6.45% | 2026 | 6,557,232 | - | 150,000 | 2,110,000 | 17,514 | 4,314,746 |
| Single Family Mortgage Revenue Bonds 1997 Series A | 5.20% - 6.05% | 2028 | 13,034,414 | - | 310,000 | 3,940,000 | 81,465 | 8,865,879 |
| Single Family Mortgage Revenue Bonds 1997 Series B | 4.70% - 5.01% | 2029 | 17,302,115 | - | 345,000 | 4,055,000 | 23,187 | 12,925,302 |
| Single Family Mortgage Revenue Bonds 1999 Series A | 4.85% - 5.65% | 2031 | 25,911,173 | - | 440,000 | 6,105,000 | 47,248 | 19,413,421 |
| Single Family Mortgage Revenue Bonds 2000 Series A | 4.95% - 6.00% | 2032 | 39,907,947 | - | 525,000 | 8,995,000 | 30,568 | 30,418,515 |
| Single Family Mortgage Revenue Bonds 2001 Series A | 3.50% - 5.375% | 2033 | 20,052,740 | - | 320,000 | 4,205,000 | 14,518 | 15,542,258 |
| Single Family Mortgage Revenue Bonds 2002 Series A | 3.45% - 6.70% | 2034 | 16,073,220 | - | 225,000 | 3,880,000 | (28,789) | 11,939,431 |
| Single Family Mortgage Revenue Bonds 2002 Series B | 3.45% - 6.63% | 2033 | 20,596,013 | - | 150,000 | 5,540,000 | (52,107) | 14,853,906 |
| Single Family Mortgage Revenue Bonds 2003 Series A | 4.65% - 6.00% | 2035 | 24,894,221 | - | - | 5,670,743 | (54,005) | 19,169,473 |
| Single Family Mortgage Revenue Bonds 2003 Series B | 4.00% - 5.20% | 2025 | 29,221,793 | - | - | 7,070,000 | (27,848) | 22,123,945 |
| Single Family Mortgage Revenue Bonds 2004 Series A | 4.60% - 5.75% | 2036 | 15,385,005 | 44,825,721 | - | 5,489,044 | 1,154,025 | 55,875,707 |
| Single Family Mortgage Revenue Bonds 2005 Series A | 2.90% - 5.80% | 2036 | - | 60,000,000 | - | - | 1,837,682 | 61,837,682 |

| Bond Issue | Interest Rates | Final Maturity Date | Bonds Outstanding June 30, 2004 | Issued | Matured | Called | Other | Bonds Outstanding June 30, 2005 |
|---|----------------|---------------------|---------------------------------|---------------|--------------|---------------|--------------|---------------------------------|
| Multi-Family Mortgage Revenue Refunding Bonds Series 1992C | 7.25% - 7.375% | 2015 | \$ 5,040,000 | \$ - | \$ - | \$ 280,000 | \$ - | \$ 4,760,000 |
| Multi-Family Mortgage Revenue Refunding Bonds 1992 Series D | 6.75% - 6.85% | 2012 | 8,455,000 | - | - | 955,000 | - | 7,500,000 |
| Multi-Family Mortgage Revenue Refunding Bonds 1992 Series E | 6.85% - 6.95% | 2014 | 4,840,000 | - | - | 465,000 | - | 4,375,000 |
| Multi-Family Mortgage Revenue Bond 1995 Series A | 6.10% | 2011 | 740,000 | - | 100,000 | - | - | 640,000 |
| Multi-Family Mortgage Revenue Bond 1995 Series B | 6.25% - 7.00% | 2025 | 7,916,647 | - | 480,000 | - | 898 | 7,437,545 |
| Multi-Family Mortgage Revenue Refunding Bonds 2001 Series A | 3.90% - 5.40% | 2024 | 34,694,919 | - | 2,260,000 | 5,835,000 | 168,775 | 26,768,694 |
| SMAL Mortgage Revenue Bonds 1995 Series A | 5.7% | 2027 | 695,781 | - | - | 203,044 | 35,940 | 528,677 |
| SMAL Mortgage Revenue Bonds 1996 Series A | 5.7% | 2028 | 635,473 | - | - | 150,093 | 30,088 | 515,468 |
| SMAL Mortgage Revenue Bonds 1996 Series B | 5.7% | 2028 | 615,224 | - | - | 107,166 | 31,238 | 539,296 |
| SMAL Mortgage Revenue Bonds 1997 Series A | 5.3% | 2029 | 765,791 | - | - | 185,178 | 28,869 | 609,482 |
| SMAL Mortgage Revenue Bonds 1998 Series A | 5.3% | 2030 | 758,582 | - | - | 157,752 | 21,977 | 622,807 |
| SMAL Mortgage Revenue Bonds 1998 Series B | 5.25% | 2030 | 2,137,431 | - | - | 523,650 | 94,674 | 1,708,455 |
| SMAL Mortgage Revenue Bonds 1999 Series A | 5.43% | 2031 | 771,149 | - | - | 165,110 | 38,805 | 644,844 |
| SMAL Mortgage Revenue Bonds 2001 Series A | 5.67% | 2033 | 2,141,413 | - | - | 427,085 | 110,839 | 1,825,167 |
| Total | | | \$ 307,212,932 | \$104,825,721 | \$ 5,520,000 | \$ 68,443,865 | \$ 3,669,366 | \$ 341,744,154 |

The "Other" category totaling \$3,669,366 represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

Tax exemption - interest on the bonds is not includable in gross income for purposes of federal income taxation with the following exceptions:
Single Family Mortgage Revenue Bonds 2003 Series B, Subseries B-2 (original issue amount of \$5,650,000).
All SMAL Mortgage Revenue Bonds.

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